Supreme Court, U.S.
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No. — OFFICE OF THE CLERK

IN THE
SUPREME COURT OF THE UNITED STATES

WAYNE KRAMER, *ET AL.*,
Petitioners,

v.

DAVID THOMAS, *ET AL.*,
Respondents.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

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PETITION FOR A WRIT OF CERTIORARI

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February 17, 2009

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QUESTIONS PRESENTED

(1) Whether the Ninth Circuit erred in concluding, without the guidance of any relevant Supreme Court precedent and in conflict with all other federal jurisdictions to have addressed the question, that the standard by which to award fees to the prevailing defendant under 17 U.S.C. § 505 is whether or not the *defense* of the claim furthered the purpose of the Copyright Act, not whether or not the *fee award* furthers the purposes of the Copyright Act.

(2) Whether the Ninth Circuit erred in upholding, *sub silentio*, the validity of retroactive licenses granted during litigation by merely beneficial owners as an affirmative defense to intentional infringement, a result diametrically opposed to Second Circuit precedent.

(3) Whether the Ninth Circuit erred in determining that an illegal act can be cured by a finding of equitable estoppel.

PARTIES TO THE PROCEEDING

Pursuant to Rule 14.1(b), the following list identifies all the parties appearing here and before the United States Court of Appeals for the Ninth Circuit.

The petitioners here, and appellants and cross-appellees below are Wayne Kramer; Margaret Saadi Kramer; and Muscle Tone, Inc.

The appellees and cross-appellants below, and respondents here are David Thomas; Laurel Legler; and Future/Now Films, Inc.

CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 26.9, Petitioners state as follows:

The interests of Warner/Chappell Music, Inc. are represented by Petitioner Wayne Kramer. Warner/Chappell Music, Inc. is a division of Warner Music Group Corporation and is publicly traded on the New York Stock Exchange (NYSE) under the symbol "WMG."

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The opinion of the Court of Appeals (November 19, 2008) is unpublished, and is reprinted in the Appendix-A to the Petition ("Pet. App.") at A-1 thru A-4. The District Court's Order Denying Defendant's Award of Attorney Fee (June 27, 2007) is unpublished, and is reprinted at Pet. App. B., A-5 thru A-7. The District Court's Findings of Fact and Conclusions of Law (April 2, 2007) and Judgment (April 20, 2007) are unpublished, and reprinted at Pet. App. C. at A-8 thru A-19. The District Court's Granting In Part and Denying In Part Defendants' Motions for Summary Judgment (April 20, 2007) is unpublished, and is reprinted at Pet. App. D. at A-21 thru A-62.

JURISDICTION

The Court of Appeals entered its judgment on November 18, 2008. This Court has jurisdiction under 28 U.S.C. § 1245(1).

STATUTES INVOLVED

This case involves provisions of the Copyright Act, 17 U.S.C. § 101, *et seq*. The pertinent provisions are reproduced in the Appendix at Pet. App. E. at A-63 thru A-71.

STATEMENT OF THE CASE

This case presents a rare opportunity for this Court to answer significant compound copyright questions; questions where circuit splits, and even confusion within the circuits, currently exist. The clarification of the issues presented herein will provide a beacon for copyright holders, licensees and would-be litigants. In fact, 17 U.S.C. § 505 fee awards so pervades copyright litigation that every lower court will be illuminated by this Court's instruction. (Pet. App. E).

Respondents are intentional copyright infringers who created a documentary film featuring the fifteen (15) unlicensed musical compositions at the heart of this litigation. Petitioner Wayne Kramer is one of the original band members of the legendary sixties proto-punk band, the MC5: the band upon which Respondents' documentary is based. For the purposes of this ongoing litigation, Petitioner Kramer represents the interests of the exclusive licensee of the fifteen (15) compositions at issue: Warner/Chappell Music, Inc.

At summary judgment, the district court dismissed fourteen (14) of the compositions based on a retroactive license granted during the litigation by non-party statutory heirs. One (1) composition proceeded to trial. Although the

district court found Petitioner equitably estopped from asserting the one remaining copyright claim, after conducting a analysis using the discretionary *Fogerty* factors, the court denied Respondents' request for attorney's fees as prevailing defendants under § 505. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 521, 534-35 (1994).

Petitioner appealed to the Ninth Circuit on the grounds that retroactive licenses were invalid under the Second Circuit case *Davis v. Blige. Davis v. Blige*, 505 F.3d 90 (2d Cir. N.Y. 2007). And that as mere beneficial owners, the heirs did not have the right to grant non-exclusive licenses in the face of an exclusive licensee with a perfected exclusive interest under 17 U.S.C. § 304(a)(2)(B)(ii). (Pet. App. E). Respondent cross-appealed on the district court's denial of attorney's fees.

The Ninth Circuit affirmed the district court's dismissal of the fourteen (14) compositions. Finding the equitable estoppel defense applicable to the dismissed claims, the court refused to answer the important legal questions surrounding the retroactive licenses. By failing to answer, the court allows retroactive licenses granted during litigation by mere beneficial owners, and to the detriment of the exclusive licensee, to remain a valid affirmative defense in the Ninth Circuit. This result is wholly inconsistent with the Second Circuit's decision in *Blige* and this Court's guidance is necessary to

provide greater certainty and predictability in copyright licensing. *Davis v. Blige*, 505 F.3d 90 (2d Cir. N.Y. 2007).

The Ninth Circuit also vacated and remanded the district court's denial of attorney fees under § 505 citing that the district court used an improper legal standard when it made a discretionary determination, after considering the non-exclusive *Fogerty* factors, that an award of fees would not further the purposes of the Copyright Act. Quoting *Mattel v. Walking Mountain Productions*, the Ninth Circuit explains that "[u]nder the Copyright Act, the question is whether a successful *defense* of the action furthered the purposes of the Act, not whether a *fee award* would do so." *Mattel*, 353 F.3d 792, 816 (9th Cir. 2003) (emphasis in original). In *Mattel*, the Ninth Circuit suggests that this standard owes its origins in this Court's opinion in *Fogerty*. *Mattel*, 353 F.3d at 816. However, even a cursory review of *Fogerty* would not support such a proposition. *Fogerty* 510 U.S. at 521, 534-35. In fact, even Chief Justice Roberts acknowledges in the unanimous *Martin v. Franklin Capital Corp.* decision from this Court:

> [*Fogerty*] did not identify a standard under which fees should be awarded [because] we granted certiorari to decide only whether the same standard applied to

> prevailing plaintiffs and prevailing defendants. Having decided this question and rejected the claim that fee shifting should be automatic, we remanded to the Court of Appeals to consider the appropriate test in the first instance.

Martin v. Franklin Capital Corp., 546 U.S. 132, 140 (U.S. 2005) (internal quotations omitted).

Simply put: the Ninth Circuit takes *Fogerty* out of context and creates a disjointed additional standard that: 1) runs afoul with the discretionary award of attorney fees under § 505, *Fogerty* and its progeny; 2) is inconsistent with all other circuits to have addressed the issue; and 3) should be placed in conformity with other fee-shifting statutes under federal law.

Review is urgently needed not only to resolve the conflict between the Ninth and other circuits, but more importantly to clarify the standards for an award of attorney's fees under § 505 and the validity of retroactive licenses granted during litigation by mere beneficial owners. Without this Court's guidance, judicial economy and consistency among the circuits will be sacrificed.

A. Factual Background

Petitioner Kramer is one of three surviving members of the original five-member MC5 band (Pet. App. C; Pet. App. D) and is a co-author or author of the pre-1978 compositions that are the subject of this dispute. (Pet. App. C, at ¶ 6; Pet. App. D). As pre-1972 works, the Copyright Act of 1909's durational scheme applies and all of the compositions are now in their renewal terms. (App. C; Pet. App. D). All of the co-authors transferred their entire ownership interests in the compositions via an exclusive license for the full duration of copyright protection, including any and all renewal terms, in exchange for a royalty arrangement with Warner/Chappell Music, Inc. (as successor-in-interest). (Pet. App. C, at ¶ 6,7; Pet. App. D).

Two of the five co-authors, Robert Derminer and Frederick Smith, died before the vesting of the renewal terms in the compositions. (Pet. App. C; Pet. App. D). Prior to the grant of illegal retroactive license (as discussed below), the statutory heirs (collectively, "Heirs") never took any action or otherwise acted inconsistent with Warner/Chappell's exclusive rights under the original assignment. (Pet. App. C, at ¶ 7; Pet. App. D).

In April 2002, Respondents completed the film entitled "MC5: A True Testimonial" ("MC5 Film")

(Pet. App. C; Pet. App. D) featuring the compositions. (Pet. App. C; Pet. App. D). In violations of 17 U.S.C. § 106, Respondents exploited the MC5 Film without the benefit of synchronization licenses and in the face of a cease and desist letter from the exclusive licensee. (Pet. App. C; Pet. App. D). On June 17, 2005 Warner/Chappell assigned to Petitioner Kramer its exclusive right to bring copyright infringement claims accruing from March 1, 2004. (Pet. App. C; Pet. App. D).

B. Proceedings Below

On November 29, 2005 Petitioner brought an action against Respondents for copyright infringement of the fifteen (15) compositions in the United States District Court for the Central District of California, Southern Division. (Pet. App. C). On June 6, 2006, well into the litigation, the Heirs unilaterally granted Respondents gratis retroactive licenses purporting to authorize Respondents' prior infringing activities and thereby extinguishing fully accrued infringement claims held by Petitioners. (Pet. App. D). Upon cross-motions for summary judgment, Judge Andrew J. Guilford granted in part and denied in part each of the parties' Motions for Summary Judgment. (Pet. App. D). The Court's erroneous holdings of the law in answering those cross motions prompted

Petitioners to appeal to the Ninth Circuit, as discussed below.

The one composition solely authored by Petitioner Kramer proceeded to a bench trial where, based on a finding of reasonable detrimental reliance, the judge estopped Petitioners from asserting any copyright claim against Respondents, based on a finding of reasonable detrimental reliance. (Pet. App. C).

As prevailing defendants, Respondents motioned for reasonable attorney's fees under 17 U.S.C. § 505. After thorough briefing from both sides, the district court issued an order declining to award Respondents a discretionary fee award. (Pet. App. B). In his order, the judge explained that after paying consideration to all the relevant *Fogerty* factors, he determined that despite Respondents success on equitable grounds, "it was not frivolous for Plaintiffs to seek enforcement of their rights [...] [and their] motivation [was not] improper. Plaintiffs' arguments were reasonable. Further, the Court does not believe that an award of attorney fees in this case would significantly further the purposes of the Copyright Act." (Pet. App. B). Respondents cross-appealed on the district court's decision to not award fees based on the Court's failure to use the language solitarily found in the Ninth Circuit's case, *Mattel*. *Mattel*, 53 F.3d at 816.

At the Court of Appeals, Petitioners raised several important legal questions. (Pet. App. A). First, Petitioners challenged the district court's finding the non-party Heirs to be joint-owners with Warner/Chappell, despite the fact that Warner/Chappell's ownership interest in the original transfer was in the nature of an exclusive license, leaving Heirs mere beneficial owners, with no independent right to alienate. (Pet. App. A).

Second, Petitioners asked the Ninth Circuit to embrace the Second Circuit's reasoning in *Blige v. Davis*. Petitioners challenged the district court's conclusion that retroactive licenses granted by non-party Heirs during litigation cured Respondents' prior infringing acts. (Pet. App. A).

The Ninth Circuit affirmed the district court's dismissal of the fourteen (14) compositions. *Id.* Finding the equitable estoppel defense applicable to the dismissed claims, the court refused to answer the important legal questions surrounding the retroactive licenses. *Id.* The Ninth Circuit also vacated and remanded the district court's denial of attorney fees under § 505 citing that the district court used an improper legal standard. (Pet. App. A). Quoting *Mattel*, the Ninth Circuit explains that "[u]nder the Copyright Act, the question is whether a successful *defense* of the action furthered the purposes of the Act, not whether a *fee award* would do so." *Id.*

REASONS FOR GRANTING THE PETITION

This case presents remarkably significant questions of federal copyright law, which have not been settled by this Court, and on which the circuits are in conflict. First, is a fee award determination under § 505 subject to reversal if the court conducts an analysis of the non-exclusive *Fogerty* factors and determines that the fee award would not further the purposes of the Copyright Act? The answer to that question is in the interest of judicial economy and consistency among, and within, the circuits.

Next, can a retroactive license granted by a non-party beneficial owner, in the face of a valid exclusive license, cure prior intentional infringement, eviscerating accrued claims? Moreover, can a finding of equitable estoppel validate a prior illegal act? The answers to these questions are not only inextricably linked to the determination of whether or not a fee award to Respondents is appropriate under 17 U.S.C. § 505 under an objective reasonableness standard, but will provide necessary guidelines for how the world of copyright licensing should govern itself in going forward.

The Ninth Circuit reads *Fogerty* to require an additional standard for awarding fees to prevailing defendants under § 505: the determination of

whether or not the *defense* of the action, not the *fee award*, furthers the purposes of the Copyright Act. (Pet. App. A) (quoting *Mattel*, 353 F.3d at 816). As this Court has acknowledged, *Fogerty* did not dictate this phraseology; the purpose of *Fogerty* was to demolish a dual-standard for § 505 fee awards. *See Martin v. Franklin Capital Corp.*, 546 U.S. 132, 140 (U.S. 2005) (citing *Fogerty*, 510 U.S. at 521, 534-35). The Ninth Circuit takes *Fogerty* out of context and invents a requirement to which all other relevant circuits are diametrically opposed. In fact, other circuits say that "[t]he touchstone of attorney's fees under § 505 is whether imposition of *attorney's fees* will further the interests of the Copyright Act" and look for objective reasonableness for whether or not the interests of copyright are furthered. *MiTek Holdings, Inc. v. Arce Eng'g Co.*, 198 F.3d 840, 842-43 (11th Cir. 1999) (emphasis added).

Should this Court decline to provide direction, the Ninth Circuit's decisions will have sweeping implications. The outcome presented in the Ninth Circuit's ruling illustrates a glaring flaw in core logic: equitable estoppel can cure an illegal act. While not actually present here, but a possibility clearly contemplated by the Act, envisage for a moment that the copyright infringement claims at issue were criminal in nature. In that situation, it is undeniable that the law would not and should

not sanction the evisceration of a criminal violation on equitable estoppel grounds. In addition, a critical factor, and a *de novo* element of equitable estoppel, is reasonable reliance. To call Respondents' reliance reasonable in the face of knowing and intentional acts of infringement simply makes no logical sense. When balancing the relative gravities of an intentional violation of a substantive federal law against a discretionary equity decision absent any statutory guidance, federal law is clearly the heavyweight. *See generally Martin v. Franklin Capital Corp.*, 546 U.S. 132, 137 (U.S. 2005). (explaining that violating a substantive federal law is far more serious than incorrectly invoking a federal right). The notion of estoppel curing a violation of substantive federal law is like paper beating scissors: it cannot -- and should not -- happen.

By refusing, on equitable grounds, to answer the vital legal issues raised by Petitioner, the court allowed a non-exclusive retroactive license, granted during litigation by non-party merely beneficial owners, and in the face of a valid exclusive license, to remain a valid defense to intentional infringement. This result is in direct conflict with the only Court of Appeals case to have addressed the retroactive license defense in this context: *Davis v. Blige*, 505 F.3d 90 (2d Cir. N.Y. 2007).

As the Second Circuit explained, allowing a non-party co-owner to simultaneously release an infringement claim belonging to his non-consenting co-owner would perversely incentivize infringement, frustrate the goals of predictability and certainty of copyright ownership, retroactively extinguish another's vested infringement claim, and fly in the face of well established and well-regarded principles of copyright law, property law, contract law, tort law, and patent law. *Davis*, 505 F.3d at 103-105. As it stands, the Court of Appeals' silence permits a retroactive license of this sort to remain a valid defense to intentional copyright infringement in the Ninth Circuit. Given the fact that the two most active circuits in terms of copyright litigation have entirely divergent views on an issue that will undoubtedly continue to be repeated in the courts, the Supreme Court should take this opportunity, in the interest of judicial economy and with the purposes of the Copyright Act in mind, to clarify the rights of copyright co-owners.

The Ninth Circuit's insistence that an award of attorney's fees decision under §505 of the Copyright Act and *Fogerty* requires a specific syntax is clearly inconsistent with all other existing authority. And the Ninth Circuit's allowance of retroactive licensing, of the genealogy banned in the Second Circuit, to remain a valid defense to intentional

copyright infringement creates an era of uncertainty in copyright licensing and litigation. Without this Court's instruction, the goals of copyright will be sacrificed. Inconsistency in how discretionary attorney fees are awarded under the statute would most certainly create a chilling effect on would-be plaintiffs, fearful of facing exorbitant fees should their judge apply the incorrect legal standard. Meanwhile, infringement will be incentivized if retroactive licensing remains a valid defense in the Ninth Circuit, a result supporting exactly the opposite type of behavior that the Copyright Act was designed to protect.

I. THIS CASE RAISES THE BROADLY APPLICABLE QUESTION OF THE APPROPRIATE STANDARD FOR AN AWARD OF ATTORNEY'S FEES UNDER SECTION 505.

There is a great need for this Court to clarify the standard for an award of attorney's fees under 17 U.S.C. § 505. By establishing an incoherent and inconsistent additional standard, the Ninth Circuit created both a circuit split and confusion within its own circuit. Given the ubiquity of § 505 motions for attorney fees in copyright actions, this Court's resolution of this issue is likely to leave a stamp on all copyright litigation from this point forward.

A. *Fogerty* And Its Progeny Do Not Support The Ninth Circuit's Conclusion In *Mattel*.

In *Mattel*, the Ninth Circuit reversed an award of attorney's fees because, according to them, the district court applied the incorrect legal standard. *Mattel*, 353 F.3d at 815-16. Under the Ninth Circuit's instruction, the correct standard for awarding fees under § 505 is to determine whether the *successful defense* of the action furthers the purposes of the Act, and not whether or not the *fee award* furthers purposes of the Act. *Id.* at 816. Astonishingly, *Mattel* points to page 527 of this Court's decision in *Fogerty* to support its position. *Id.* (citing *Fogerty*, 510 U.S. at 527). However, even the most searching read of *Fogerty* does not reveal such a standard. *See Martin*, 546 U.S. at 140 (Chief Justice Roberts explaining: "[*Fogerty*] did not identify a standard under which fees should be awarded"). In fact, during the nine years between this Court's opinion in *Fogerty* and the Ninth Circuit's *Mattel* decision, not a single federal court read *Fogerty* to contain the mandate: "Under the Copyright Act, the question is whether a *successful defense* of the action furthered the purposes of the Act, not whether a *fee award* would do so." *Mattel*, 353 F.3d at 816.

Although *Fogerty* is undoubtedly the seminal § 505 case, its guidance provides that the

discretionary fee award must be exercised in an evenhanded manner with respect to prevailing plaintiffs and prevailing defendants, and consistent with the primary purposes of the Copyright Act. *Fogerty*, 510 U.S. at 534. As this Court explained: both prevailing plaintiffs and defendants are entitled to fees in the district court's equitable discretion in applying these nonexclusive factors: "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence," while keeping in mind "the purposes of the Copyright Act." *Id.* at 534 n.19. *See also Matthew Bender & Co. v. West Publ'g Co.*, 240 F.3d 116, 121 (2d Cir. 2001).

Fogerty, and the cases that follow it, emphasize the discretionary nature of the fee award and the variety of non-exclusive and non-determinative factors that may be considered, provided that the purposes of the Copyright Act are served. *Gonzales v. Transfer Techs.*, Inc., 301 F.3d 608, 609 (7th Cir. Ill. 2002) (Judge Posner explaining: "Since the factors aren't exclusive, and seem rather miscellaneous and ill-assorted, they leave the decision on whether to grant or deny attorneys' fees to the prevailing party in a copyright case pretty much to the discretion of the district judge, subject to necessarily highly deferential appellate review--

for the vaguer a standard to be applied by a trial judge, the greater his roaming room."); *Columbia Pictures TV v. Krypton Broadcasting*, 259 F.3d 1186, 1197 (9th Cir. 2001) (analyzing the degree of success obtained factor in addition to the *Fogerty* factors); *Garnier v. Andin Internat'l*, 884 F. Supp. 58, 62 (D. R.I. 1995) (attorney's fees award not appropriate when parties are litigating a very debatable aspect of the copyright law and considering the relative financial strength of the parties).

Even the Ninth Circuit was clear in an early Post-*Fogerty* application, recognizing: "[*Leib*] factors may be considered but are not exclusive and need not all be met, and that attorney's **fee awards** to prevailing defendants are within the district court's discretion if **they** further the purposes of the Copyright Act and are evenhandedly applied." *Fantasy, Inc. v. Fogerty*, 94 F.3d 553, 558 (9th Cir. Cal. 1996) (emphasis added); *See also Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 886 F.2d 1545, 1556 (9th Cir. Cal. 1989) (noting that fee awards to prevailing plaintiffs serve the purpose of encouraging private enforcement and deterring infringements).

Excluding *Mattel*, the great weight of the authority says that the "touchstone" of an award under § 505 is whether or not the imposition of attorney's fees will further the interests of the

Copyright Act by encouraging objectively reasonable litigation positions. *MiTek Holdings, Inc. v. Arce Eng'g Co.*, 198 F.3d 840, 842-43 (11th Cir. 1999); *Matthew Bender & Co. v. West Publ'g Co.*, 240 F.3d 116, 121-22 (2d Cir. N.Y. 2001) ("[T]he imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally not promote the purposes of the Copyright Act."); *Lotus Dev. Corp. v. Borland Int'l Inc.*, 140 F.3d 70, 75 (1st Cir. 1998); *Harrison Music Corp. v. Tesfaye*, 293 F. Supp. 2d 80, 85 (D.D.C. 2003) (citing *MiTek*, 198 F.3d at 842-43: "The decision to award attorney's fees is based on whether imposition of the fees will further the goals of the Copyright Act [...]"); *Yankee Candle Co. v. Bridgewater Candle Co.*, LLC, 140 F. Supp. 2d 111 (D. Mass. 2001); *Thompkins v. Lil' Joe Records*, 2008 U.S. Dist. LEXIS 29423 (D. Fla., March 4, 2008, Decided); *Luken v. Int'l Yacht Council, Ltd.*, 2008 U.S. Dist. LEXIS 70535 (S.D. Fla. Sept. 8, 2008) ("The touchstone of attorney fees under the Copyright Act, 17 U.S.C.S. § 505 is whether imposition of attorney fees will further the interests of the Act [...] by encouraging the raising of objectively reasonable claims and defenses [...]"). *See also Kebodeaux v. Schwegmann Giant Super Markets, Inc.*, 1994 U.S. Dist. LEXIS 13072, No. 92-2086, 1994 WL 507421 (E.D. La. 1994) ("[I]t would be inconsistent with the purposes of the Copyright

Act to deter plaintiffs [with a fee award] from bringing suits when they have reason to believe, in good faith, that their copyrights have been infringed.").

In sum, the First, Second, Fifth, Seventh, Eleventh and Federal circuits all consider **whether the imposition of fees furthers the interests of copyright** by "encouraging the raising of **objectively reasonable claims and defenses**, which may serve not only to deter infringement but also to ensure 'that the boundaries of copyright law [are] demarcated as clearly as possible' in order to maximize the public exposure to valuable works." *MiTek*, 198 F.3d at 842-43 ("Because the district court did not assess whether imposition of attorney's fees would further the goals of the Copyright Act, we vacate[.]"), citing *Fogerty*, 510 U.S. at 526-527 (discussing the varied goals of the Copyright Act) (emphasis added).

What culminates throughout the circuits post-*Fogerty*, including the Ninth in the pre-*Mattel* context, is a nebulous and flexible standard made to effectuate the discretion of the court and to further the purposes of the Copyright Act. *See Gonzales v. Transfer Techs.*, Inc., 301 F.3d 608, 609 (7th Cir. Ill. 2002) (Judge Posner explaining the "ill-sorted" discretion). Given the compelling and consistent authority discussed above, it is difficult to understand how the *Mattel* Court came to such a

contradictory conclusion: *Fogerty* mandates that, for an award decision to be appropriate under § 505, the determination hinges on semantics: whether or not the defense or prosecution of the claim furthered the purposes of the Copyright Act, not whether the fee award does. *Mattel*, 353 F.3d at 815-16.

B. As Exemplified In The Case At Bar, *Mattel* Creates A Mandate That Is Inconsistent With The Judicial Discretion Granted Under *Fogerty*.

In this case, intentional infringers were granted retroactive gratis licenses, in the middle of litigation, by non-party Heirs purporting to eviscerate Petitioner's accrued claims for infringement. Petitioners challenged, as an issue of the first impression, whether or not Heirs received a reversion or full-renewal rights under 17 U.S.C. § 304(a)(2)(B)(ii), entitling them to grant licenses in the face of an exclusive licensee with a perfected interest. Petitioners further challenged the validity of retroactive licenses to extinguish existing claims. Although the district court found the Respondents to be prevailing defendants under § 505, it declined to award fees, explaining:

> In determining whether to award attorney fees to a prevailing party

> under the Copyright Act, a court considers (1) the degree of success obtained by the prevailing party; (2) frivolousness of the losing party's claim; (3) the motivation of the losing party; (4) the reasonableness of the losing party's legal and factual arguments[;] (5) the need to advance considerations of compensation and deterrence[;] (6) the purposes of the Copyright Act, and (7) whether the chilling effect of attorney's fees may be too great or impose [an] equitable burden on an impecunious plaintiff.

Citing *Wall Data Inc. v. L.A. County Sheriff's Dep't.*, 447 F.3d 769, 787 (9th Cir. 2006); *Ets-Hokin v. Skyy Spirits, Inc.*, 3232 F.3d 763, 766 (9th Cir. 2003); *Jackson v. Axton*, 25 F.3d 884, 890 (9th Cir. 1994). *But see* Thompkins v. Lil' Joe Records, 2008 U.S. Dist. LEXIS 29423 (D. Fla., March 4, 2008, Decided), (citing *MiTek*, at 843: "In determining whether to award fees to a prevailing party, **the court may not consider whether the losing party can afford to pay the fees**, but must rather consider whether the imposition of fees will further the goals of the Copyright Act.") (emphasis added). *See also Harrison Music Corp. v. Tesfaye*, 293 F. Supp. 2d 80, 85 (D.D.C. 2003). The court continued:

> After considering all relevant factors, the Court declines to award Defendants' attorney fees. Although Defendants were successful on equitable grounds, it was not frivolous for Plaintiffs to seek enforcement of their rights. The Court cannot find Plaintiffs' motivation to be improper. Plaintiffs' arguments were reasonable. Further, the Court does not believe that an award of attorney fees in this case would significantly further the purposes of the Copyright Act.

The district court's analysis and decision not to award fees under § 505 appear to be completely within the confines of federal law under *Fogerty*: the court used its discretion to determine the pertinent factors and balanced them accordingly. Although the court found Respondents to be prevailing defendants on equitable ground (the meritorious defense factor), the court did not find Petitioners' claims to be frivolous, or their arguments to be unreasonable. In fact, Petitioners' arguments could not have been objectively unreasonable, and the purposes of copyright would not be furthered, because at least two of them were based on uncharted areas of copyright law. *See Lotus*, 140 F.3d at 75 ("When close infringement cases are litigated, copyright law benefits from the

resulting clarification of the doctrine's boundaries. But because novel cases require a plaintiff to sue in the first place, the need to encourage meritorious defenses is a factor that a district court may balance against the potentially chilling effect of imposing a large fee award on a plaintiff, who, in a particular case, may have advanced a reasonable, albeit unsuccessful, claim."); *Elements/Jill Schwartz v. Gloriosa Co.*, 2002 U.S. Dist. LEXIS 18011 (D.N.Y., September 26, 2002, Decided) (prevailing defendants not awarded fees because case involved an issue of the first impression in that circuit). Thus, since Petitioners' claims were not objectively unreasonable and the court, in its silence, did not find any need to advance considerations of compensation or deterrence, the purposes of the Copyright Act would not be furthered by an imposition of a fee award. (Pet. App. B).

Despite the district court's conformity with current federal law, the Ninth Circuit found the district court's decision to be one that "requires reversal." (Pet. App. A). According to the Ninth Circuit, if a district court uses the *"fee award"* language instead of the *"successful defense [or prosecution]"* language, reversal is *required.* (Pet. App. A). This result is counterintuitive to principles of judicial discretion for which *Fogerty* and its progeny stand. A decision under §505 is

meant to be a case-by-case analysis and the Ninth Circuit should be deferential to the district court's decision provided that it considers at least one of the non-exclusive factors, in a even-handed manner, with the goals of the Copyright Act in mind. *See Metcalf v. Bochco*, 200 Fed. Appx. 635, 2006 U.S. App. LEXIS 22244 (9th Cir., August 28, 2006, Filed) (explaining that even an analysis of only one factor and a determination that the purposes of the Copyright Act would not be furthered would allow the denial of fees to be appropriate). The result in this case begs the question: What grave error did the district court make to justify *mandatory reversal?*

The Ninth Circuit suggests that the answer can be found in *Mattel*. The facts in *Mattel* are as follows: the defendant artist prevailed at summary judgment on a 17 U.S.C. § 107 Fair Use defense because his "Barbie" derivative works were parody of Plaintiff Mattel's popular doll. The defendant filed a cross-appeal in the Ninth Circuit claiming that he was wrongfully denied fees under § 105. In its analysis, the Ninth Circuit said:

> In assessing whether attorney's fees under the Copyright Act were appropriate, the district court held that the Defendants have not demonstrated that the award of $ 1.6 million dollars in fees and expenses

> would further the purposes of the Copyright Act, that plaintiff's case was frivolous or objectively unreasonable, or that the need to advance considerations of compensation and deterrence supports an award.

Mattel, 353 F.3d at 816.

The *Mattel* court appears to reverse on two theories: first, the district court concerned itself with whether or not a $1.6 million fee award furthered the purposes of the copyright act; and second, the district court did not specify the factual reasons why it did not find a fee award appropriate and the factual case record indicated that a fee award was appropriate. *Mattel*, 353 F.3d at 815 (Plaintiff Mattel was sanctioned for abusive discovery practices and had prosecuted an almost identical claim, also successfully defended by Fair Use). Indicative of the Ninth Circuit's confusion with the proper standard after *Mattel*, the *Kramer* Court links its reversal only to the fee language and fails to consider the context of *Mattel*.

The *Mattel* Court focuses on the fact that the district court placed an actual dollar amount ($1.6 million) when it considered whether or not the fee award furthered the purposes of the Copyright Act. In this context, it makes sense for the Ninth Circuit to clarify that the focus of the analysis is on the *defense of the action* furthering the purpose of the

Copyright Act, and the *amount of the fee award* should not be a consideration. Interpreting *Mattel's* statement "[u]nder the Copyright Act, the question is whether a successful defense of the action furthered the purposes of the Act, not whether a fee award would do so" to mean that any determination not containing this language must be reversed is preposterous and fails to consider context. The point that the *Mattel* Court was attempting to make, despite its obvious failure, is made clearer by a careful read of the entire passage in context:

> As noted above, the district court concluded that 'defendants have not demonstrated that the award of $ 1.6 million dollars in fees and expenses would further the purposes of the Copyright Act.' [Defendant] correctly points out that this sentence appears to misstate the law. Under the Copyright Act, the question is whether a successful defense of the action furthered the purposes of the Act, not whether a fee award would do so. *See Fogerty*, 510 U.S. at 527. The district court appears to have decided that the *fee award itself* would not further the purposes of the act. Instead of denying fees outright, the court should have

> *reduced the amount of the requested fee*, if appropriate. *See Frank Music Corp. v. Metro-Goldwyn-Mayer Inc.*, 886 F.2d 1545, 1556-57 (9th Cir. 1989), cert. denied, 494 U.S. 1017, 108 L. Ed. 2d 496 (1990). Because the district court *may* have applied an incorrect legal analysis, we vacate and remand for reconsideration of whether to award fees.

Mattel Inc. v. Walking Mt. Prods., 353 F.3d 792, 815-816 (9th Cir. Cal. 2003) (emphasis added).

The *Mattel* Court meant that the district court should not consider the *amount* of the fee award, not that the determination hinged on phraseology. This position is supported by the court's mention of *Frank Music Corp. v. Metro-Goldwyn-Mayer Inc.*, a citation that speaks volumes about what the *Mattel* court was concerned with: it did not want the district court to consider the *amount* of the fee award when determining if the fee award furthered the purposes of the Copyright Act:

> Both parties appeal from the district court's award of attorney's fees to the plaintiffs. The plaintiffs argue that the district court awarded them too small a fee. The defendants argue that the plaintiffs are not entitled to a fee at all, and even if they are, the fee

> awarded was too high. The decision to award fees, and the amount of fees awarded, are both reviewed for abuse of discretion. Plaintiffs in copyright actions may be awarded attorney's fees simply by virtue of prevailing in the action: no other precondition need be met, although the fee awarded must be reasonable. The district court correctly noted that such awards to prevailing plaintiffs serve the purpose of encouraging private enforcement and deterring infringements. The district court did not abuse its discretion in determining that the plaintiffs are entitled to an award of attorney's fees.

Frank Music Corp. v. Metro-Goldwyn-Mayer Inc., 886 F.2d 1545, 1556-57 (9th Cir. 1989), cert. denied, 494 U.S. 1017, 108 L. Ed. 2d 496 (1990) (internal citations omitted).

In Petitioners' case, the district court made no mention of the amount of fees when determining whether or not to award them, and the Ninth Circuit's application of *Mattel* as requiring reversal in this case begs for this Court's instruction. Allowing *Mattel* to stand as binding precedent further complicates an issue that is clearly in need of comprehensive simplification, based on lower

courts' requests and inconsistent opinions. *Assessment Techs. of Wi, LLC v. Wire Data, Inc.*, 361 F.3d 434 (7th Cir. Wis. 2004) ("[The courts] have [...] left [fee awards under § 505] to judicial discretion by setting forth a laundry list of factors, all relevant but none determinative. The list, moreover, is nonexclusive. arguably dictum, and in **need of simplification**") (emphasis added). *See also Berry v. Hawaiian Express Serv.*, 2006 U.S. Dist. LEXIS 78281 (Indicating confusion because case uses the "fee award furthers the purposes of the Copyright Act" language post-*Mattel*); *Love v. Mail on Sunday*, 2007 U.S. Dist. LEXIS 97061 (C.D. Cal. Sept. 7, 2007) (claiming that under *Fogerty* "the question is whether a successful defense of the action furthered the purposes of the Copyright Act, not whether a fee award would do so."); *Brighton Collectibles, Inc. v. Coldwater Creek Inc.*, 2009 U.S. Dist. LEXIS 4005 (The *fee award* furthered the goal of the Copyright Act because it encourages private enforcement and deterrence of willful infringement).

C. Consistent With Other Supreme Court Authority On Fee-Shifting Statutes And The Goals Of The Copyright Act, The Determination Of A Fee Award Under § 505 Should Turn On Objective Reasonableness.

A review of this Court's opinion in the analogous case, *Martin v. Franklin Capital Corp.*, may provide a helpful foundation for clarifying the proper standard for a fee award under § 505. *Martin v. Franklin Capital Corp.*, 546 U.S. 132 (U.S. 2005). In *Martin*, this Court was posed with a circuit split regarding the proper standard for a fee award under 28 U.S.C.S. § 1447(c), a federal fee-shifting statute available for unsuccessful removal. *Id.* at 136. Citing to Chief Justice Rehnquist's opinion in *Fogerty*, this Court determined that § 1447(c), like § 505, allowed discretionary fee awards. *Id.* at 136. In discussing judicial discretion in fee awards, this Court explained:

> The fact that an award of fees [...] is left to the district court's discretion, with no heavy congressional thumb on either side of the scales, does not mean that no legal standard governs that discretion. We have it on good

> authority that 'a motion to [a court's] discretion is a motion, not to its inclination, but to its judgment; and its judgment is to be guided by sound legal principles.' Discretion is not whim, and limiting discretion according to legal standards helps promote the basic principle of justice that like cases should be decided alike. For these reasons, we have often limited courts' discretion to award fees despite the absence of express legislative restrictions.

Martin v. Franklin Capital Corp., 546 U.S. 132, 136 (U.S. 2005).

Quoting *Flight Attendants* v. *Zipes*, this Court reaffirmed that when applying fee-shifting statutes judicial discretion is limited by "the large objectives" of the relevant Act, while embracing certain equitable considerations. *Zipes*, 491 U.S. at 762. Acknowledging that a standard for limiting discretion under § 505 was not addressed in *Fogerty*, this Court decided that a litigant's objective reasonableness was determinative under § 1447(c), unless "unusual circumstances" existed to warrant a departure. *Martin*, 546 U.S. at 141. The benefit to applying this standard is that district courts retain discretion to consider additional factors, provided that the reason for

considering those factors are "faithful to the purposes" of awarding fees under the statute. *Id.* at 141 (quoting *Fogerty* at 534, n. 19).

Consistent with the wide majority of existing precedent and legislative history, the guiding light for a fee award under § 505 should be objective reasonableness. *Matthew Bender*, 240 F.3d at 121-22 ("[T]he imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally not promote the purposes of the Copyright Act."). As discussed in the Report of the Register of Copyrights, General Revision of United States Copyright Law 109 (1961):

> The discretionary power of courts to require the losing party to pay a 'reasonable attorneys fee' is intended to discourage unfounded suits and frivolous defenses. The courts have generally denied awards of attorneys [*sic*] fees where the losing party had solid grounds for litigating his claim or defense.

In sum, the purposes of the Copyright Act are furthered when objectively reasonable litigation positions are maintained. Although the *Fogerty* factors should be considered in the district court's discretion, a finding of objective reasonableness should weigh heavily in favor of denial. *See Zipes*,

491 U.S. at 759 (discussing objective reasonableness' application fee-shifting statutes with similar language); *Kebodeaux v. Schwegmann Giant Super Markets, Inc.*, 1994 U.S. Dist. LEXIS 13072, No. 92-2086, 1994 WL 507421 (E.D. La. 1994) ("[I]t would be inconsistent with the purposes of the Copyright Act to deter plaintiffs [. . .] from bringing suits when they have reason to believe, in good faith, that their copyrights have been infringed.").

II. REVIEW IS CRITICALLY NEEDED.

This Court's review is critically needed. If the Ninth Circuit's decision remains intact, Petitioners and other similarly situated copyright litigants have everything to lose. The chance that a copyright creator with objectively reasonable claims of novel issues of copyright law may be forced to pay a crippling award of attorney's fees to intentional infringers is clearly inconsistent with the purposes of the Copyright Act. Without this Court's direction, Petitioners will face dire consequences and confusion among the circuits will continue to thrive.

In addition, clarification of the retroactive license issue in *Davis v. Blige* is pressing given the Ninth Circuit's refusal to teach a decision purportedly based on an estoppel argument when, in fact, failure to address this issue is the

functional equivalent to a contradiction of the well-reasoned decision in the Second Circuit.

CONCLUSION

Based on the foregoing, this Court should grant this Writ in order to clarify the correct standards for discretionary Attorney's Fees under § 505 and address the obvious conflict between the Second Circuit's *Davis v. Blige* decision and the Ninth Circuit's contrary decision found in their attempt at "inaction" by using the escape mechanism embodied in an equitable estoppel defense.

Respectfully Submitted,

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NOT FOR PUBLICATION

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

MARGARET SAADI KRAMER, an individual; MUSCLE TONE, INC., a California corporation, Plaintiffs - Appellants, WAYNE KRAMER, an individual, Plaintiff-counter-defendant - Appellant, v. FROM THE HEART PRODUCTIONS, INC., a California corporation CAROLE LEE DEAN, an individual, Defendants - Appellees, DAVID THOMAS, an individual; LAUREL LEGLER, an individual FUTURE/NOW FILMS, LLC, an Illinois	Entered November 19, 2008 No. 07-55577 D.C. No. CV-05-08381-AG MEMORANDUM*

* This disposition is not appropriate for publication and is not precedent except as provided by 9th Cir. R. 36-3.

corporation; ZENTA, LLC an Illinois limited liability company, Defendants-counter-claimants - Appellees.	

Appeal from the United States District Court
for the Central District of California
Andrew J. Guilford, District Judge, Presiding
Argued and Submitted October 20, 2008
Pasadena, California
Before: FERNANDEZ, CALLAHAN and IKUTA, Circuit Judges.

The district court did not abuse its discretion in concluding that the Kramers are estopped from asserting any copyright related claim against Thomas and Legler. *See Granite State Ins. Co. v. Smart Modular Tech., Inc.*, 76 F.3d 1023, 1029–30 (9th Cir. 1996). The record establishes the following: First, the Kramers knew Thomas and Legler were going to do the acts the Kramers later claimed were infringing. Specifically, the Kramers and Warner/Chappel encouraged Thomas and Legler to make the film, knew that Thomas and Legler planned to distribute the film, and promised to negotiate a permanent synchronization license for all 15 compositions used in the film. In sum, the

Kramers knew the facts and intended their conduct to be acted on with respect to the use of all 15 compositions that are the subject of their claims. Second, Thomas and Legler spent years investing time and money into making the film, and were ignorant of the fact that Warner/Chappell had agreed with the Kramers not to issue a permanent synchronization license to Thomas and Legler. Third, Thomas and Legler justifiably relied on the Kramers' representations to their detriment, in that they were never able to obtain the synchronization license after being offered distribution deals. These facts are sufficient to establish an estoppel defense. *See United States v. King Features Entm't, Inc.*, 843 F.2d 394, 399 (9th Cir. 1988) (citing *Bob's Big Boy Family Rests. v. N.L.R.B.*, 625 F.2d 850, 854 (9th Cir. 1980)).

We may affirm the district court on any basis supported by the record. *See Moreno v. Baca*, 431 F.3d 633, 638 (9th Cir. 2005). Although the bench trial in this case adjudicated only one of the Kramers' 15 copyright claims, the district court's determination that the Kramers are estopped from bringing any copyright claims against Thomas and Legler is equally applicable to all 15 claims. The Kramers argue that a bench trial adjudicating all 15 copyright claims might have had a different outcome than the bench trial here. According to the Kramers, the district court might have weighed the equities between the Kramers and the defendants differently if it had not granted the defendants summary adjudication as to 14 of the claims. However, the Kramers have not specified what

evidence or arguments they would have adduced at a bench trial of all 15 claims that might have affected the court's analysis of the defendants' equitable estoppel defense. Accordingly, we affirm the district court's judgment as to all 15 compositions based on Thomas's and Legler's estoppel defense. We therefore need not reach the Kramers' arguments that Smith's and Derminer's heirs did not receive a reversion of full renewal rights, or that the retroactive license that was granted is invalid.

In refusing to award attorneys' fees to defendants, the district court stated that "an award of attorney fees in this case would [not] significantly further the purposes of the Copyright Act." We have held that this characterization of the test for attorneys' fees is an error that requires reversal. *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 815–16 (9th Cir. 2003). "Under the Copyright Act, the question is whether a successful *defense* of the action furthered the purposes of the Act, not whether a *fee award* would do so." *Id.* at 816 (emphasis in original). Therefore, we vacate the district court's denial of attorneys' fees and remand for reconsideration of whether attorneys' fees are warranted under 17 U.S.C. § 505. Each party shall bear its own costs on appeal.

AFFIRMED in part; VACATED and REMANDED in part.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

[DATE STAMP]
JUN 27 2007

CIVIL MINUTES – GENERAL

Case No. CV 05-8381-AG(CTx)
Date: June 25, 2007
Title WAYNE KRAMER, ET AL. v. DAVID THOMAS, ET AL.

Present: The Honorable ANDREW J. GUILFORD

Lisa Bredahl
Deputy Clerk Court Reporter/Recorder Tape No.

Attorneys Present for Plaintiffs: Sean Novak
Attorneys Present for Defendants: Vincent Cox

Proceedings: ORDER DENYING DEFENDANTS' MOTION FOR AWARD OF ATTORNEY FEES

Defendants David Thomas, Laurel Legler, Future/Now Films, Inc., and Zenta, LLC ("Defendants") filed a Motion for Award of Reasonable Attorney Fees Under Section 505 of the Copyright Act ("Motion"). After considering the moving, opposing, and reply papers, and oral argument by the parties, the Court DENIES the Motion.

Plaintiffs Wayne Kramer, Margaret Saadi Kramer,

and Muscle Tone, Inc. ("Plaintiffs") sued Defendants, alleging among other things that Defendants infringed Plaintiffs' copyrights. After a one-week court trial, the Court entered judgment in favor of Defendants on all claims. (Findings of Facts and Conclusions of Law pp. 8-9.) Defendants now seek an award of $129,745 in fees under the Copyright Act.

Under the Copyright Act, "the court may also award a reasonable attorney's fee to the prevailing party as a part of the costs." 17 U.S.C. § 505. In *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994), the Supreme Court held that the prevailing party language from 17 U.S.C. section 505 included prevailing defendants. In its Findings of Facts and Conclusions of Law, the Court found that Defendants were the prevailing party and entitled to costs. (Findings of Facts and Conclusions of Law pp. 8-9; Judgment p.2.) Thus, the Court has the discretion to award Defendants attorney fees.

In determining whether to award attorney fees to a prevailing party under the Copyright Act, a court considers (1) the degree of success obtained by the prevailing party; (2) frivolousness of the losing party's claim; (3) the motivation of the losing party; (4) the reasonableness of the losing party's legal and factual arguments, (5) the need to advance considerations of compensation and deterrence, (6) the purposes of the Copyright Act, and (7) whether the chilling effect of attorney's fees may be too great or impose and equitable burden on an impecunious plaintiff. *See Wall Data Inc. v. L.A. County Sheriff's Dep't*, 447 F.3d 769, 787 (9th Cir. 2006); *Ets-Hokin v. Skyy Spirits, Inc.*, 323 F.3d 763, 766 (9th Cir. 2003); *Jackson v. Axton*, 25

F.3d 884, 890 (9th Cir. 1994). After considering all the relevant factors, the Court declines to award Defendants' attorney fees.

Although Defendants were successful on equitable grounds, it was not frivolous for Plaintiffs to seek enforcement of their rights. The Court cannot find Plaintiffs' motivation to be improper. Plaintiffs' arguments were reasonable. Further, the Court does not believe that an award of attorney fees in this case would significantly further the purposes of the Copyright Act. Accordingly, the Court DENIES Defendants' Motion.

_____ : 0

Initials of
Preparer /s/ _____

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

[DATE STAMP]
FILED SOUTHERN DIVISION
CLERK, U.S. DISTRICT COURT
MAR 31 2007
CENTRAL DISTRICT OF CALIFORNIA
BY /s/_____ DEPUTY

WAYNE KRAMER, an individual, MARGARET SAADI KRAMER, an individual, and MUSCLE TONE, INC., a California Corporation

Plaintiffs,

v.

DAVID THOMAS, an individual, LAUREL LEGLER, an individual, FUTURE/NOW FILMS, INC., an Illinois corporation, ZENTA, LLC., an Illinois limited liability company, FROM THE HEART PRODUCTIONS, INC., a California corporation, CAROLE LEE DEAN, an individual, and DOES 1 through 10 inclusive.

Defendants.

AND ALL RELATED COUNTERCLAIMS

CASE NO. CV 05-8381 AG (CTx)

FINDINGS OF FACT AND CONCLUSIONS OF LAW

THIS CONSTITUTES NOTICE OF ENTRY AS REQUIRED BY FRCP RULE 77(d).

[DATE STAMP]
ENTERED - SOUTHERN DIVISION
CLERK, U.S. DISTRICT COURT
APR - 2 2007
CENTRAL DISTRICT OF CALIFORNIA
BY /s/_____ DEPUTY

It's good to remember the 60's, but some say if you remember the 60's you weren't there. Perhaps to assist all in remembering the 60's, Defendants David Thomas ("Thomas") and Laurel Legler ("Legler") made a film ("Film") on the MC5, a 60's Detroit Rock and Roll band that made its mark on American history with loud rock and roll and radical perceptions positing an imperialistic and materialistic America. This lawsuit teaches that materialism remains with us, as Plaintiffs vigorously seek money from Defendants. Although the MC5 faded away largely due to drugs, the band lingers on in the memory of many, and would be known to many others but for pending legal feuds. Plaintiff Wayne Kramer ("Kramer") was a leader of the band and now joins with other Plaintiffs as he seeks damages for copyright infringement, breach of contract, fraud, and related claims. Kramer argues he was assigned the rights to the song *Poison*, and claims the use of *Poison* in the Film creates a copyright infringement. After reviewing the facts at trial, focusing on the conduct of the parties as Thomas and Legler were investing time and money into making the Film, the Court finds and concludes that the facts establish an estoppel which makes it

inequitable, unfair, and improper to award any recovery against any Defendants on copyright related claims. The Court further finds and concludes that the required elements of an enforceable contract or a quantum meruit claim or a fraud claim were not proven.

FINDINGS OF FACT

After reviewing the evidence, and evaluating the credibility of the witnesses and other evidence, the Court makes the following findings of fact, including any findings of fact found in the Conclusions of Law. The parties submitted no proposed Findings of Fact and Conclusions of Law, and stipulated to only two facts. Some of the facts below were found by the Court to be without substantial controversy as part of summary judgment motions which reduced the claims presented at trial. A proper transcript has not been prepared, so there are no transcript references.

1. The copyrights for the subject musical compositions are in their renewal term. (Admitted.)

2. Kramer is an original member of the MC5 band. (Admitted.)

3. Plaintiffs' claims are founded upon general federal question and copyright jurisdiction, 28 U.S.C. §§ 1331 and 1338(a). (Order on Summary Judgment motions.) The Court accepted supplemental jurisdiction on the other claims under 28 U.S.C. § 1367(a).

4. Federal counts (other than injunctive relief) pleaded against defendants are Counts One through Three of the First Amended Complaint. Counts One through Three allege, respectively direct, contributory, and vicarious copyright infringement stemming from the production and distribution of the theatrical release of the documentary [Film] "MC5: A TRUE TESTIMONIAL," the DVD version of the documentary, and a three DVD set distributed by From the Heart Productions, Inc. ("FTH") entitled "THE ART OF FUNDING YOUR FILM." The three DVD set incorporated slightly more than an hour of a presentation by Thomas and Legler and included a picture of a television playing a six-minute trailer for the documentary.

5. Kramer has the right, through assignment, commencing as of any infringements on or after March 1, 2004, to sue Defendants for copyright infringement. (Order on Summary Judgment motions.)

6. Kramer's copyright claims alleged infringement of fifteen compositions all of which were either registered or published before 1972, and therefore subject to the provisions of the Copyright Act of 1909. All of the compositions that are the subject of the copyright claims are now in their renewal term. (Order on Summary Judgment motions.) Following summary judgment, the only remaining copyright issue involves only the song "Poison," as discussed in Plaintiffs' Opening Statement. Poison is an insignificant part of the Film.

7. The renewal copyright interests of co-authors

Robert Derminer and Fred "Sonic" Smith in fourteen of the fifteen compositions are co-owned by their widows and heirs pursuant to section 24 of the Copyright Act of 1909, former 17 U.S.C. section 24, in that Derminer and Smith died before the commencement of the renewal term. (Order on Summary Judgment motions.)

8. Over the years, there has not been a clear record kept of ownership rights to copyright claims for MC5 music, with confusion resulting from distraction, indifference, and other matters. Non-party witnesses such as Angela Davis and Michael Davis identified this confusion.

9. In or about 1995 Thomas and Legler conceived an idea to produce the Film, a documentary motion picture about the MC5. Thereafter, Thomas and Legler worked long and hard to produce a quality film, and they succeeded. Further, they expended substantial money on the Film, with some of the money coming from family and friends.

10. In or about March 1996, Thomas and Legler approached Kramer with the idea for the Film. Kramer showed great interest in the project, strongly encouraging defendants to produce the Film. Kramer understandably wanted the Film completed. Kramer believed the Film might bring renewed interest in his band, the MC5, and that this could be financially rewarding to him. He therefore continued to encourage Thomas and Legler as they worked on the Film and spent substantial money on the Film. Although there were discussions about different roles for Kramer and

Plaintiff Margaret Saadi Kramer ("Mrs. Kramer") concerning the Film, no terms were set or restrictions made that would reduce incentives or otherwise discourage Thomas and Legler during the formative years of producing the Film. Disputes between the Plaintiffs and Defendants arose only after Defendants demonstrated that the Film they were crafting could be successful. The MC5 is historically significant and its music and story merit being heard today. The Film had and still has the potential to spread the music and story of the MC5. Plaintiffs persisted in continuing to encourage Thomas and Legler to complete the Film. Thomas and Legler took action in reliance on that encouragement. Further, no terms specific enough to form an enforceable contract were ever agreed upon between any plaintiff and any defendant, and no defendant made any actionable false representations to any plaintiff.

11. Mrs. Kramer was very credible when she testified that she gave assurances that she and Kramer would "go out and make sure the deal happened" and that she would support the production of the Film "in whatever way possible." Mrs. Kramer also stated that she and Kramer would not impinge upon the budget for the Film, but would look to possibilities arising from any companion soundtrack.

12. There is an insufficient factual basis to establish that a contract was formed that any of the Plaintiffs could enforce. Contract terms were never certain, and there was no meeting of the minds. The burden of proof on any contract claim was not met by any of the Plaintiffs.

13. There is an insufficient factual basis to establish any claim for quantum meruit. The burden of proof on any quantum meruit claim was not met by any of the Plaintiffs.

14. There is an insufficient factual basis to establish any claim for fraud. The burden of proof on any fraud claim was not met by any of the Plaintiffs.

15. There is an insufficient factual basis to establish any claims against any Defendant. The burden of proof on any claim was not met by any of the Plaintiffs.

16. There is an insufficient factual basis to establish any damage to any of the Plaintiffs caused by any Defendant. The burden of proof on the issue of causation and damages was not met by any of the Plaintiffs.

17. Thomas and Legler formed Future/Now Films, Inc. as the entity responsible for production of the Film.

18. Thomas and Legler are principals of and members of Zenta, LLC.

19. The Film was eventually produced by defendants Thomas, Legler, Future/Now, Inc., and Zenta, LLC in or about the year 2002. It incorporates musical compositions authored or co-authored by Kramer.

20. In 2002, with the assistance of plaintiffs,

defendants had obtained from Warner/Chappell a one year "festival license."

21. Thomas and Legler appeared at a seminar in Chicago, Illinois in December 2003 for aspiring documentary film-makers. The event was sponsored by defendants Carole Lee Dean ("Dean") and FTB. At the seminar, defendants exhibited portions of the MC5 film.

22. The production and distribution of the seminar and the three DVD set was accomplished by FTH and Dean for nonprofit and educational purposes. The 12 hour three DVD set contained a 6 minute Trailer. The three DVD set is a transformative work in that it added a substantial amount of new matter to the original work, with a further purpose and a different character from that for which it was first used, and it altered the original by creating new expression, meaning, and a different message.

23. The effect of the use by FTH and Dean of the Trailer upon the potential market for or value of the copyrighted works and sound recordings was minuscule.

24. The actions of FTH and Dean in producing and distributing the three DVD set were made for a non-profit educational purpose. Only 26 copies were sold. Defendants had no idea there was a legal issue with distribution, and received gross revenues of $1,690 for the sale of 26 copies.

25. Warner/Chappell and Plaintiffs knew the

facts of Defendants' plans to distribute the documentary film, promised to negotiate a license in good faith, intended that their conduct in making promises to Defendants and delaying to act would be acted upon by Defendants, and led the Defendants to believe that Defendants could act as they did. The Defendants were ignorant of true intent of Warner/Chappell and Plaintiffs, and Defendants relied upon Plaintiffs' and Warner/Chappell's representations to their detriment.

26. Plaintiffs knew Thomas and Legler were going to do with the Film those acts which Plaintiffs now claim infringe. Plaintiffs intended that their conduct gave Thomas and Legler the justifiable belief that they could rely on Plaintiffs' conduct. Thomas and Legler were ignorant of the true facts and acted in detrimental reliance on Plaintiffs' conduct.

27. Defendants spent years preparing the Film based upon repeated assurances from Plaintiffs and Warner/Chappell that they supported the project.

28. Kramer expressly represented to Rebecca Derminer at a dinner at his house in August 2003 that he would do nothing to interfere with the release of the Film.

29. Plaintiffs are estopped to assert any claims against any Defendant. This is in part because of Plaintiffs' express representations to Defendants that they would not block the Film, upon which Defendants justifiably relied to their detriment.

30. Much of this case rests upon the credibility of witnesses, and the Court finds that Thomas and Legler were far more credible than Kramer on key issues concerning alleged promises, representations, and commitments.

31. Defendants were first -time filmmakers who spent eight years of their lives trying to create a documentary film that would be historically truthful, a documentary that would celebrate the talent and creativity of the MC5 band, a documentary that would say something about the 60's, and would say something about the present. They succeeded, and the Film merits wide distribution for the enjoyment and edification of the masses.

CONCLUSIONS OF LAW

The Court makes these conclusions of law, including any conclusions of law found in the Findings of Fact.

32. The Court concludes that Plaintiffs' claims are founded upon general federal question and copyright jurisdiction, 28 U.S.C. §§ 1331 and 1338(a). The Court accepted supplemental jurisdiction on the other claims under 28 U.S.C. § 1367(a).

33. The Court concludes that there is an insufficient factual basis to establish that a contract was formed that any of the Plaintiffs could enforce. Contract terms were never certain, and there was no meeting of the minds. The burden of proof on any contract claim was not met by any of the Plaintiffs.

34. The Court concludes that there is an insufficient factual basis to establish any claim for quantum meruit. The burden of proof on any quantum meruit claim was not met by any of the Plaintiffs.

35. The Court concludes that there is an insufficient factual basis to establish any claim for fraud. The burden of proof on any fraud claim was not met by any of the Plaintiffs.

36. The Court concludes that there is an insufficient factual basis to establish any claim against any Defendant. The burden of proof on any claim was not met by any of the Plaintiffs.

37. The Court concludes that Plaintiffs are estopped to assert any claims against any Defendant. The burden of proof on the estoppel defense was met by the Defendants.

38. The Court concludes that there is an insufficient factual basis to establish any damage to any of the Plaintiffs caused by any Defendant. The burden of proof on the issue of causation and damages was not met by any of the Plaintiffs.

39. The Court concludes that the judgment in this case shall not affect any rights concerning any companion soundtrack for the Film.

40. The Court concludes that judgment must be entered for the Defendants on all claims.

41. The Court concludes that Defendants are the

prevailing parties.

DISPOSITION

Defendants' counsel is directed to prepare the judgment and serve it on Plaintiffs. Plaintiffs shall have 15 days from the date of service of the proposed judgment to object to the proposed judgment. If no objection is received within 15 days, the judgment will be entered immediately.

IT IS SO ORDERED.

DATED: March 31, 2007

/s/
Andrew J. Guilford
United States District Judge

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION

THIS CONSTITUTES NOTICE OF ENTRY AS REQUIRED BY FRCP, RULE 77(d).

[DATE STAMP]
FILED - SOUTHERN DIVISION
CLERK, U.S. DISTRICT COURT
APR 19 2007
CENTRAL DISTRICT OF CALIFORNIA
BY /s/_____ DEPUTY

WAYNE KRAMER, an Individual,
MARGARET SAADI KRAMER, an Individual,
and MUSCLE TONE, INC., a California corporation,

Plaintiffs,

v.

DAVID THOMAS, an Individual,
LAUREL LEGLER, an Individual,
FUTURE/NOW FILMS INC., an Illinois corporation,
ZENTA, LLC, an Illinois limited liability company,
FROM THE HEART PRODUCTIONS, INC.,
a California corporation, CAROLE LEE DEAN, an Individual, and DOES 1 through 10, Inclusive,

Defendants.

DAVID THOMAS, an Individual,
LAUREL LEGLER, an Individual,

FUTURE/NOW FILMS, INC., an Illinois corporation, ZENTA, LLC, an Illinois limited liability company,

Counterclaimants,

v.

WAYNE KRAMER, an Individual,

Counterdefendant.

[DATE STAMP]
ENTERED - SOUTHERN DIVISION
CLERK, U.S. DISTRICT COURT
APR 20 2007
CENTRAL DISTRICT OF CALIFORNIA
BY /s/ _____ DEPUTY

After pre-trial proceedings, and rulings on Rule 56 motions by order dated September 28, 2006, entered October 2, 2006, a court trial was had in this matter on October 3, 4, 5 and 6, 2006, Hon. Andrew J. Guilford, District Judge, presiding. The evidence presented having been fully considered, the issues having been duly heard, Findings of Fact and Conclusions of Law were signed by the Court on March 31, 2007, and entered on April 2, 2007.

IT IS ORDERED AND ADJUDGED that the plaintiffs shall take nothing on their complaint, that the counterclaimants shall take nothing on their counterclaim, that the actions be dismissed for the reasons stated in the Findings of Fact and Conclusions of Law, and in accordance with the Court's order on

the parties' Rule 56 motions. Defendants, as prevailing parties, shall be entitled to recover their costs of suit in the amount of $_____.

DATED: April 19, 2007 /s/_____
U.S. DISTRICT JUDGE

Presented by:
/s/_____
VINCENT COX
LEOPOLD, PETRICH & SMITH
A Professional Corporation
And
NORMAN C. ANKERS
HONIGMAN MILLER SCHWARTZ AND COHN LLP
Admitted *Pro Hac Vice*
Attorneys for Defendants

PROOF OF SERVICE

STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

I am employed in the County of Los Angeles, State of California. I am over the age of 18 years and not a party to the within action. My business address is 2049 Century Park East, Suite 3110, Los Angeles, California 90067-3274.

On April 4, 2007, I served the foregoing document described as [PROPOSED] JUDGMENT on the interested parties in this action.

☒ by placing the original and/or a true copy thereof enclosed in (a) sealed envelope(s), addressed as follows:

Sean M. Novak, Esq.
Novak & Ben-Cohen, LLP
8383 Wilshire Boulevard, PH 1004
Beverly Hills, CA 90211
Tel: (323) 651-4222;Fax: (323) 651-4221

☒ BY REGULAR MAIL: I deposited such envelope in the mail at 2049 Century Park East, Suite 3110, Los Angeles, California 90067-3274. The envelope was mailed with postage thereon fully prepaid. I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. It is deposited with the U.S. Postal Service on that same day in the ordinary course of business. I am aware that on

motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one (1) day after date of deposit for mailing in affidavit.

☒ BY FACSIMILE MACHINE: I transmitted a true copy of said document(s) by facsimile machine, and no error was reported. Said fax transmission(s) were directed to the fax number indicated above.

☐ BY OVERNIGHT MAIL: I deposited such documents at the Federal Express Drop Box located at 2049 Century Park East, Suite 3110, Los Angeles, California 90067-3274. The envelope was deposited with delivery fees thereon fully prepaid.

☐ BY PERSONAL SERVICE: I caused such envelope(s) to be delivered by hand to the above addressee(s).

☐ (State) I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

☐ (Federal) I declare that I am employed in the office of a member of the Bar of this Court, at whose direction the service was made. I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on April 4, 2007, at Los Angeles, California.

/s/
Robin Miller

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

[DATE STAMP]
FILED SOUTHERN DIVISION
CLERK, U.S. DISTRICT COURT
SEP 28 2006
CENTRAL DISTRICT OF CALIFORNIA
BY /s/_____ DEPUTY

WAYNE KRAMER, an individual,
MARGARET SAADI KRAMER, an individual,
and MUSCLE TONE, INC., a California Corporation

Plaintiffs,

v.

DAVID THOMAS, an individual,
LAUREL LEGLER, an individual,
FUTURE/NOW FILMS, INC., an
Illinois corporation, ZENTA, LLC.,
an Illinois limited liability company,
FROM THE HEART PRODUCTIONS, INC.,
a California corporation, CAROLE LEE DEAN,
an individual, and DOES 1 through 10 inclusive.

Defendant(s).

AND ALL RELATED COUNTERCLAIMS

[DATE STAMP]
DOCKETED ON CM
OCT - 2 2006
BY /s/ _____ 178

CASE NO. CV 05-8381 AG (CTx)

ORDER DENYING IN PART AND GRANTING IN PART DEFENDANTS' MOTION FOR SUMMARY JUDGMENT, OR IN THE ALTERNATIVE, ORDER DETERMINING ISSUES WITHOUT SUBSTANTIAL CONTROVERSY, AND DENYING IN PART AND GRANTING IN PART PLAINTIFFS' MOTION FOR SUMMARY JUDGMENT, OR IN THE ALTERNATIVE, PARTIAL SUMMARY JUDGMENT

Before the Court is Plaintiffs' Motion for Summary Judgment, or in the Alternative, Partial Summary Judgment of Issues ("Plaintiffs' Motion" or "Plaintiffs' MAJ") and Defendants' Motion for Summary Judgment, or in the Alternative, Order Determining Issues Without Substantial Controversy ("Defendants' Motion" or "Defendants' MSY") of Plaintiff's infringement claims, state law claims, and Defendants' counterclaim. After considering the moving, opposing, and reply papers, and oral argument by the parties, the Court hereby GRANTS IN PART and DENIES IN PART Plaintiffs' Motion and GRANTS IN PART and DENIES IN PART Defendants' Motion.

LOCAL RULES

1. Local Rule 56

Before getting into the specifics of this case, the Court notes that Plaintiffs filed a Separate Statement of Uncontroverted Facts, as required by Local Rule 56-1, alleging 41 uncontroverted material facts. The Court further notes that Defendants filed a Statement of Genuine Issues of Material Fact, as required by Local Rule 56-2, alleging many genuine issues of material fact necessary to be litigated. Under Local Rule 56-3,

> [in determining any motion for summary judgment, the Court will assume that the material facts as claimed and adequately supported by the moving party are admitted to exist without controversy except to the extent that such material facts are (a) included in the 'Statement of Genuine Issues' and (b) controverted by declaration or other written evidence filed in opposition to the motion.

The Court has reviewed the uncontroverted assertions and relies on admissible evidence in making its findings. Because the parties dispute most of the factual assertions, the Court notes the parties' allegations but only relies on uncontroverted assertions in making a summary judgment determination.

BACKGROUND

Plaintiffs Wayne Kramer, Margaret Kramer, and Muscle Tone, Inc. (collectively "Plaintiffs") are citizens of California. Plaintiff Wayne Kramer ("Wayne Kramer") is an original founding member of the band

"The MC5." (Plaintiffs' Statement of Uncontroverted Facts ("SUF") ¶ 4.) Plaintiff Margaret Kramer ("Margaret Kramer") is his manager (Plaintiffs' SUF ¶ 6), and Plaintiff Muscle Tone, Inc. ("Muscle Tone") is a Record Label (First Amended Complaint ("FAC") ¶ 5.)

In or about March 1996, Defendants David Thomas ("Thomas") and Laurel Legler ("Legler") approached Plaintiff Wayne Kramer with the idea of creating a documentary film to be later entitled the "MC5: A True Testimonial" ("MC5 Film,") (Plaintiffs' SUN ¶ 5.) During the early production process, Thomas and Legler formed Defendant Future/Now Films ("Future/Now") as the entity responsible for production of the film and Defendant Zenta, LLC ("Zenta") to receive and disburse income from the exploitation of the MC5 film. ("Plaintiffs' SUF ¶¶ 4-5.) (Thomas, Legler, Future/Now, and Zenta collectively are referred to as "FNP Defendants.")

During the initial meetings, Thomas and Legler obtained Wayne Kramer's assistance in making the film. (Plaintiffs' SUF ¶ 7; FNP Defendants' Statement of Genuine Issues of Fact ("SOIF") ¶ 6.) Plaintiffs allege that to secure this assistance from Wayne Kramer, Legler and Thomas made repeated assurances to Wayne Kramer that as long as he assisted in the preparation and distribution of the film, Wayne Kramer would be named music producer of the film and would receive a screen credit for his work and would be compensated for his services. (Plaintiffs' SUF ¶ 6.) Plaintiffs allege further that on or about Nov. 18, 1997, Legler and Thomas entered into a contract with

Margaret Kramer providing that she would participate in the production, manufacture, and sale of the companion audio release for the MC5 Film. (Plaintiffs' SUF ¶ 30.) Plaintiffs allege also that on or about Nov. 18, 1997, Defendants Legler and Thomas entered into a contract with Plaintiff Muscle Tone providing that it would participate in the production, manufacture, and sale of the companion audio release for the MC5 Film. (Plaintiffs' SUF ¶ 31.) Plaintiffs claim that these agreements were all breached in 2002. (Plaintiffs SUF ¶ 10.)

FNP Defendants allege that the promises made between Wayne Kramer and Legler and Thomas involved only the reimbursement of Wayne Kramer's travel and meal expenses that he incurred making the film and the compensation of a share of profits from the film for his assistance in providing the consents necessary for distribution. (Legler Second Dec. ¶¶ 5-6; Thomas Second Dec. ¶¶ 5-6.) Defendants' do not dispute that the agreement was breached on June 19,2002. (Defendants' SGIF ¶ 50.) FNP Defendants dispute the existence of any contract with Margaret Kramer and Muscle Tone, but agree that any alleged contract with Margaret Kramer or Muscle Tone was breached at least by April 2002. (Second Legler Dec. ¶¶ 10-11; Second Dec. Thomas ¶¶ 10-11.)

The MC5 director's cut of the MC5 film was completed by April 2002. (Defendants' SGIF ¶ 13.) The film incorporated twenty-one musical compositions, fifteen of which are alleged to be infringed in this action. (Plaintiffs' SUF ¶ 8; FAC ¶ 21.) Although Plaintiffs now claim that Defendants' have infringed

twenty-one copyrighted works, Plaintiffs are bound to the allegations within their First Amended Complaint ("FAC"), which states that Defendants have infringed fifteen works. (FAC ¶ 21.) Plaintiffs allege that the copyrighted materials all belong to Wayne Kramer and/or Warner/Chappell, which has gained ownership of these copyrights through third parties to whom the authors of the compositions transferred all of their copyrights interests. (Plaintiff's SGIF ¶ 6; Plaintiffs' SUF ¶ 8.) With the assistance of Plaintiffs, The FNP Defendants obtained a one-year "festival license" from Warner/Chappell. (Plaintiffs' SUF ¶ 9; FNP Defendants' SGIF ¶ 15.)

Defendants allege that Warner/Chappell is not the only owner of the copyrights at issue. (Defendants' SGIF ¶ 55-58.) Defendants allege that the renewal copyright interests of co-authors Robert Derminer and Fred "Sonic" Smith in fourteen of the fifteen compositions at issue are owned by their widows and heirs. (*Id.*) Further, Defendants allege that these widows and heirs also own a joint copyright in the fifteenth composition since they succeeded to the partnership interest of the deceased family member. (*Id.*)

In December 2003, Defendants Thomas and Legler appeared at a seminar on Chicago, Illinois for aspiring film-makers (Depo. of Carole Lee Dean, at 41:17-43:13.) The event was sponsored by Defendants From the Heart Productions, Inc, and Plaintiffs allege that is was also sponsored by Defendant Carole Lee Dean (Collectively "Dean Defendants") (Defendants' SGIF ¶ 44.) At the seminar, Legler and Thomas

exhibited a six-minute trailer that contained footage of the MC5 Film. (Defendants' SGIF ¶ 45.) Dean Defendants recorded these events and incorporated the Trailer and the lecture into a DVD Set entitled "The Art of Finding Your Film." (Plaintiffs' SUF ¶ 41.) Twenty-six copies of the DVD set have been sold to date. (Defendants' SGIF ¶ 147.)

Plaintiffs allege that beginning in 2002-2003 FNP Defendants entered into another oral contract with Wayne Kramer guaranteeing him financial compensation for his time, the right to provide musical scoring for the film and a movie producer screen credit, a share of the profits generated from the film, and the exclusive right to produce and distribute a companion soundtrack album for the film. (Plaintiffs' SUF ¶ 29.) Plaintiffs also allege that FNP Defendants entered into new contracts with Margaret Kramer and Muscle Tone. (Plaintiffs SUF ¶ 33). Defendants do not dispute that they formed an agreement with Wayne Kramer when the FNP Defendants agreed to terms stated in a July 29, 2003 letter sent by Thomas to Wayne Kramer. (Second Thomas Decl. ¶ 15.) Defendants dispute that any other 2003 contract was formed with any other Plaintiff. (Second Decl. Thomas ¶¶ 9-10.) Plaintiffs allege that FNP Defendants breached contracts with all three plaintiffs in 2004. (Plaintiffs' SUF ¶ 35.) FNP Defendants allege that Plaintiffs breached the July 23, 2003 contract with the FNP Defendants on August 6, 2003 when Margaret Kramer sent a repudiation letter. (Defendants' SGIF ¶ 40; Exh. 28.)

FNP Defendants' received a one month extension of the license to permit an October 2003

showing of the MC5 film. (Plaintiffs' SUP ¶ 15; FNP Defendants' SGIF ¶¶ 17-18.) FNP Defendants had sought from Warner/Chappell a "synchronization license" to include the compositions in the MC5 film on a permanent, for-profit basis. (Plaintiffs' SUF ¶ 13.) Warner Chappell turned down their request. (Plaintiffs' SUF ¶ 14.) Then, FNP Defendants entered into a distribution deal for the MC5 Film with Sony/BMG. *See* BMG Distribution Agreement; Plaintiffs' MSJ, Exh. V.) FNP Defendants allege that they entered into the distribution agreement with the advance knowledge and consent of Brad Rosenberger of Warner/Chappell. (Legler Dec. ¶ 19.)

Plaintiffs allege that FNP Defendants continued to exhibit the film for profit without licenses. (Plaintiffs' SUF ¶ 18.) Plaintiffs allege that this provoked Warner/Chappell to serve a cease-and-desist letter on the FNP Defendants on March 12, 2004. (Plaintiffs' SUF ¶ 19.) Plaintiffs allege that FNP Defendants continued to exhibit the film after the letter was received. (Plaintiffs' SUF ¶ 20.) On June 17, 2005, Warner/Chappell assigned Wayne Kramer a retroactive license effective as of March 1, 2004 to the compositions used in the MC5 Film. (FAC, Exh. B.) On June 6, 2006, Jackson Smith and Rebecca Derminer granted a non-exclusive license to the FNP Defendants to several MC5 works. (Exh. 713.)

LEGAL STANDARD

Summary judgment is appropriate only where the record, read in the light most favorable to the non-moving party, indicates that "there is no genuine

issue as to any material fact and ... the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c); *see also Celotex Com. v. Catrett,* 477 U.S. 317, 323-24 (1986). Material facts are those necessary to the proof or defense of a claim, and are determined by reference to substantive law. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). A factual issue is genuine "if the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Id.* at 248. In deciding a motion for summary judgment, "[t]he evidence of the nonmovant is to be believed, and all justifiable inferences are to be drawn in his favor." *Id.* at 255.

The burden initially is on the moving party to demonstrate an absence of a genuine issue of material fact. *Celotex*, 477 U.S. at 323. If, and only if, the moving party meets its burden, then the non-moving party must produce enough evidence to rebut the moving party's claim and create a genuine issue of material fact. *See id.* at 322-23. If the non-moving party would bear the burden of proving an affirmative defense at trial, then it is the non-moving party's burden to "come forward with evidence sufficient to create a genuine issue of material fact" as to that defense. *Castaic Lake Water Agency v. Whittaker Com.*, 272 F. Supp. 2d 1053. The opposing party need not show that the issue will be resolved conclusively in its favor. *See Liberty Lobby,* 477 U.S. at 248-49. All that is necessary is submission of sufficient evidence to create a material factual dispute, thereby requiring a jury or judge to resolve the parties' differing versions of the truth at trial. See *id.* If the non-moving party meets this burden, then the motion will be denied.

Nissan Fire & Marine Ins. Co. v. Fritz Co., Inc., 210 F.3d 1099, 1103 (9th Cir. 2000).

In a motion for partial summary judgment, where the moving party has shown that there is no genuine issue of material fact as to the defense or claim, and the non-moving party cannot demonstrate that such an issue does exist, a court can grant summary judgment for the moving party "upon all or any part thereof." *Wang Lab., Inc. v. Mitsubishi Elecs. Am.*, 860 F. Supp. 1448, 1450 (CD. Cal. 1993). The granting of any part of the summary judgment is commonly known as the granting of a "partial summary judgment." *American Nurses' Ass'n v. Illinois*, 783 F.2d 716, 729 (7th Cir. 1986). For partial summary judgments, no actual judgment is entered. Instead, "[a] partial summary judgment is merely an order deciding one or more issues in advance of trial." *Minority Police Officers Ass'n v. South Bend,* 721 F .2d 197, 200 (7th Cir. 1983). The judge reserves the power to alter the matters adjudicated any time prior to entry of final judgment. *See St. Paul Fire & Marine Ins. Co. v. F.H.* 55 F.3d 1420, 1425 (9th Cir. 1995).

DISCUSSION

1. PLAINTIFF'S FIRST CLAIM FOR COPYRIGHT INFRINGEMENT UNDER 17 U.S.C. SECTIONS 101, ET SEQ.

Because genuine issues of material fact remain regarding Plaintiffs' infringement claims, as discussed below, the Court denies Plaintiffs' motion for summary judgment. The Court grants Dean Defendants' motion

for summary judgment on the issue of fair use, and grants in part and denies in part FNP Defendants motion for summary judgment on the issue of non-infringement.

1.1 Direct Infringement

To prevail on non-infringement, Defendants must demonstrate that Plaintiff is unable to prove ownership of the copyrights and the violation of one of more of its exclusive rights. *S.O.S., Inc., v. Payday, Inc.*, 886 F.2d 1081, 1085 (9th Cir. 1989). FNP Defendants claim that Plaintiff cannot prove that FNP Defendants, rather than third parties, directly infringed Plaintiffs' copyrights by publicly exhibiting and distributing copyrighted materials within the temporal scope of Wayne Kramer's license. Wayne Kramer's license from Warner/Chappell to authorize or license the use of the copyrights at issue is effective as of March 1,2004. (Dec. of Novak, Exh. T, U.) Plaintiffs rebut the assertion that the copyrights were not infringed within the scope of the license with evidence that movie theaters broadcast the MC5 Film, a professor discussed the film sometime in 2004, and correspondence that indicates that the FNP Defendants created and sent copies of a trailer, which included several of the compositions and recordings, to several people. (Dec. of Novak, Ex. AA.) Genuine issues of triable fact remain as to whether FNP Defendants conducted the infringing conduct and, if so, if that conduct occurred within the temporal scope of the license. For this reason, Plaintiffs' motion for summary judgment on this ground is DENIED.

Plaintiffs also present evidence of Dean Defendants' infringement. Here, Defendant Carole Lee Dean has admitted that she included the copyrighted material at issue in a DVD-set, which was sold. (Dean Depo. 62:1-23.) Thus, Plaintiffs have established the unauthorized use of the copyrighted compositions at issue by the Dean Defendants. Because all of the defendants raise the same defenses to the four copyright infringement claims, the analysis of the defenses will apply to all of the defendants, even though Dean Defendants are the only defendants which present uncontroverted evidence of direct use of the copyrighted compositions at issue.

1.1.1. Defense of Limitations on Warner/Chappell Ownership Interest

Defendants argue that Plaintiffs are not permitted to sue for infringement as they cannot prove ownership of the copyright. (Thomas/Legler MSJ at p. 14.) Defendants first argue that Plaintiff cannot establish a clear chain of title to nine of the copyrighted compositions that were originally registered to Cotillion and Motor City Music ("Cotillion copyrights"). (*Id.*) Plaintiffs rebut this argument by arguing that Plaintiffs have produced valid copyright certificates of registration to establish ownership. (Opposition at p. 10, Dec. of Novak to Opposition, Exh. B.)

A certificate of registration creates a prima facie presumption of validity of the copyright. *See* 17 U.S.C. § 410(c). However, an assignee of a previously

registered statutory copyright, like Kramer, bears the burden of proving its chain of title because nothing in the registration certificate establishes its right to claim through the original copyright claimant. *Religious Tech. Ctr. v. Netcom On-Line Commun. Servs.*, 923 F. Supp. 1231, 1244 (C.D. Cal 1995). *See also* 3 Melville Nimmer & David Nimmer, Nimmer on Copyright § 12.11[C] (2006). While this does not usually apply when the Plaintiff is the author, it is necessary in this case as Plaintiff states that he transferred the copyright over thirty years ago to third parties and only maintains the copyright in the form of a license.

Plaintiffs have met this burden by providing the contractual agreement in which 100% of Cotillion was sold to Warner/Chappell. *See* Opp. Dec of Novak, Exh. BB. Plaintiffs have also provided the licenses granted by Warner/Chappell to Plaintiff Wayne Kramer. (Dec. of Novak, Exh. T, U.) Defendants have provided no evidence to show that these transfers did not include the copyrights at issue. Therefore, in the absence of disputed fact, Plaintiff has demonstrated chain-of-title to the nine Cotillion copyrights. Defendants' motion for summary judgment on the defense of limitations ground is DENIED.

1.1.2 Defense of Failure of Vesting Renewal Interest

Defendants contend that Plaintiffs have also not provided proof that ownership of fourteen of the copyrights at issue have been infringed as a matter of law because co-authors Robert Derminer and Fred

"Sonic" Smith died before the expiration of the initial term, and their renewal rights thus pass to their relatives under section 24 of the Copyright Act of 1909. (Defendants' FNP Opp. at 9-12.) This section guaranteed that "when an author dies before the renewal period arrives, his executor is entitled to the renewal rights, even though the author previously assigned his renewal rights to another party." *Miller Music Co. v. Charles N. Daniels, Inc.*, 362 U.S. 373, 375 (1960). Plaintiffs concede that Derminer and Smith are deceased. (Plaintiffs' Opp at 12.) However, Defendants have not established or cited any legal principle for the argument that this reassignment of the renewal rights of two of the co-authors invalidates the original transfer of copyright ownership from the remaining three co-authors. Defendants point the Court to their arguments on Page 13 of the Summary Judgment Motion of Thomas and Legler, but, no such argument exists. In the absence of argument, the Court concludes that the transfer of copyright from the remaining three co-authors suffices to demonstrate ownership of copyright. Defendants' motion for Defendants' motion for summary judgment on the defense of failure of vesting interest is DENIED.

1.1.3 Defense of Direct Ownership

Defendants assert that Kramer does not directly own any of the copyrights at issue because he did not schedule these assets in his bankruptcy. (Defendants' MSJ at 14-16.) To support this, Defendants submit evidence of Kramer's schedule of assets in Bankruptcy Court, in which Defendants claim Kramer did not list any unassigned copyrights. (Defendants' Request for

Judicial Notice ("RJN"), Exh. 3-13.) The Court takes judicial notice of the bankruptcy filings. *Kramer v. Time Warner Inc.*, 937 F.2d 767, 774 (2d Cir. 1991) ("A court may take judicial notice of a document filed in another court ... to establish the fact of such litigation and related filings"). But the Court notes that the bankruptcy documents raise issues of material fact. The property schedules filed with the bankruptcy court do not on their face establish whether or not Wayne Kramer listed or not the copyrights at issue. Instead, the property schedules establish that Wayne Kramer scheduled the rights, title, and/or interest in proceeds from rights assigned to various companies in connection with master recording agreements that have not been submitted into evidence. (Defendants' RJN, Exh. 722.) The Court does not have sufficient evidence to determine whether or not the copyrights at issue are encompassed by the property listed. Faced with evidentiary issues, the Court finds that these filings do not establish an absence of genuine issues of material fact. Defendants' motion for summary judgment on the defense of direct ownership is DENIED.

1.1.4 License Defense

Defendants maintain that even if Plaintiff can establish infringement, Defendants have not infringed the Plaintiffs' copyright because Defendants have received a retroactive license from valid copyright owners. (FNP Defendants' MSJ at p. 9-13.) Defendants argue that they have been licensed these rights by Rebecca Derminer, widow of Robert Derminer ("Derminer"), and the family of Fred "Sonic" Smith

("Smith"), whom Defendants allege are valid owners of the fifteen copyrights at issue under section 24 of the Copyright Act of 1909. (*Id.*) Plaintiffs concede that Derminer and Smith are deceased. (Plaintiffs' Opp. at p. 12). However, Plaintiffs argue that the license is invalid or ineffective for several reasons.

1.1.4.1 The Fourteen Copyrighted Compositions Co-Authored by Derminer and Smith

Defendants argue that Rebecca Derminer and the Smith family are valid copyright holders of the fourteen copyrighted compositions co-authored by their deceased relatives. (FNP Defendants' MSJ at p. 9.) Plaintiffs argue that the executor of Smith and Derminer have forfeited their copyright because they did not file renewal applications. (*Id.* at p. 12-13.) As Defendants point out, Plaintiffs, thus, ignore 17 U.S.C. § 304(a)(2)(B)(ii), which provides for automatic renewal of works in their first term as of January 1, 1978 and vesting in the statutory recipient. *Broad. Music. Inc. v. Roger Miller Music. Inc.*, 396 F.3d 762, 768 (6th Cir. 2003) ("We note as well that § 304(a)(2)(B)(ii) provides that copyrights will renew automatically and vest in eligible parties upon renewal even absent formal registration by an eligible party."). As the copyrights were in their first term as of that date, the renewal rights automatically transferred to the heirs of the co-authors. (FAC, Exh. A.) Thus, according to the plain language of the statute, the wives and family of the deceased authors retain the renewal rights.

Plaintiffs next argue that Defendants have not submitted admissible evidence to establish the valid recipient of the renewal term. (Plaintiffs' Opp. at p. 12.) To prove ownership of a valid license, Defendants submit signed declarations indicating chain-of-title. Plaintiffs object to this evidence submitted by Defendants to the extent that it presents "objectionable, conclusory" facts related to the birth of Jackson Smith and the marriages of Patti Smith and Rebecca Derminer. (Plaintiffs' Opp. at p. 12.) However, the declarations are admissible under Federal Rules of Evidence Rule 804(b)(4) ("The following are not excluded by the hearsay rule if the declarant is unavailable as a witness: ... (4) Statement of personal or family history (A) A statement concerning the declarant's own birth, adoption, marriage, divorce, legitimacy, relationship by blood, adoption, or marriage, ancestry, or other similar fact of personal or family history, even though declarant had no means of acquiring personal knowledge of the matter stated.") The statements of Rebecca Derminer, Patti Smith, and Jackson Smith are based on their family history. While these declarations would not be admissible at trial without demonstration of the declarants' unavailability, the declarations are sufficient at the summary judgment stage. In the absence of disputable fact, the Court finds that Rebecca Derminer and the Smith family are valid co-owners of the fourteen copyrights co-authored by their deceased husbands.

Plaintiffs also argue that even assuming that the Smith family and Rebecca Derminer do validly own copyrights to the fourteen songs, the Smith family and Rebecca Derminer cannot grant retroactive

licenses. (Plaintiffs' Opp. at p. 14.) To support this proposition, Plaintiffs cites *Leicester v. Warner Bros.*, 47 U.S.P.Q.2D (BNA) 1501 (C.D. Cal 1998). However, that case was decided principally on the ground that the defendant possessed a non-exclusive license, and therefore did not have a right to sub-license others. In that case, the court stated that it rejected the defendant's argument for "another reason," explaining that it did not accept the idea that a later grant of a license could validate earlier infringement. Leicester, 47 U.S.P.Q.2D (BNA) 1501, at *6. That alternative ground for decision is contrary to the great weight of authority cited by Defendant, and the Court declines to follow it. Thus, the retroactive nature of the transfer of the license from Rebecca Derminer and Smith family does not invalidate the transfer.

Plaintiffs next argue that the grant is defective because it is a non-exclusive license. (Plaintiffs' Opp. at p. 15-16.) However, "[a]bsent an agreement to the contrary, one joint owner may always transfer his interest in the work to a third party, including the grant of non-exclusive licenses." *Davis v. Bilge,* 419 F. Supp. 2d 493,500 (S.D.N.Y. 2005), citing 1 Melville Nimmer & David Nimmer, Nimmer on Copyright § 6.11 (2005). As joint co-owners of the copyrighted works, Rebecca Derminer and the Smith family may certainly grant a non-exclusive license. Thus, the non-exclusive transfer of the license is not defective.

Plaintiffs lastly argue that the non-exclusive license is invalid because Rebecca Derminer and the Smith family would have a duty to account to Plaintiffs as co-owners for the profits of a license.

(Plaintiffs' Opp, at 16.) While it is true that a joint owner of a copyright has a duty to account to other joint owners upon the grant of a license, *See Bencich v. Hoffman*, 84 F. Supp. 2d 1053, 1056 (D. Ariz. 2000) ("Co-owners of a copyright are generally treated as tenants in common, with each co-owner having an independent right to use or license the use of the work, subject to a duty of accounting to the other co-owners for any profits."), Plaintiffs must take up that issue with his joint owners. As such, Plaintiffs have not presented material issues of fact regarding Defendants' license to the fourteen copyrighted compositions co-authored by Derminer and Smith. Defendants' motion for summary judgement on the defense of license and non-infringement of the copyrights of the fourteen compositions is GRANTED.

1.1.4.2 The Copyright of "Poison"

The fifteenth copyrighted composition at issue in this case is "Poison." Defendants argue that the copyright of "Poison" was registered on July 23, 1971 in the name of Cotillion Music and Motor City Music as joint claimants. (Defendants' SUF ¶ 9; Opp. Dec. of Novak, Exh. B.) Moreover, Defendants argue that Rebecca Derminer and Patti Smith are also copyright holders of Poison, even though their husbands did not compose the compositions, because their husbands were members of the Motor City Music Partnership. (FNP Defendants MSJ at p. 13.) Plaintiff has asserted that the Copyright of Poison was recorded with the Copyright Office on August 2, 2005. (Plaintiffs' SGIF ¶ 9; FAC, Exh. Z.) Plaintiffs also present evidence that Motor City Music was never a partnership. (Plaintiffs'

opp. at 14) (Depo. Of Wayne Kramer 13:10-19). Because the parties present conflicting evidence of the registration and the status of the potential owner Motor City Music, the parties raise an issue of disputed fact as to copyright infringement of "Poison." Defendants' motion for summary judgment on the defense of license to "Poison" is DENIED.

1.1.5. Estoppel Defense

The Defendants next argue that they are entitled to summary judgement on the affirmative defense of estoppel. (FNP Defendants' Opp at p. 2.) Plaintiffs contend that no such legal theory exists to justify Plaintiffs' defense. (Plaintiffs' MSJ at 12.) Plaintiffs are mistaken.

A plaintiff is estopped from asserting a copyright claim if "he has aided the defendant in infringing or otherwise induced it to infringe or has committed covert acts such as holding out ... by silence or inaction." See *Quinn v. City of Detroit*, 23 F. Supp. 2d 741, 753 (E.D. Mich. 1998) (internal quotation marks omitted, citing 4 Nimmer § 13.07 (2006). To prevail on its estoppel defense Defendant must prove the following four elements:

> 1. Plaintiff knew of Defendant's allegedly infringing conduct
>
> 2. Plaintiff intended that Defendant rely upon his conduct or acted so that Defendant had a right to believe it was so intended;

3. Defendant was ignorant of the true facts

4. Defendant detrimentally relied on Plaintiffs conduct.

See Carson v. Dynegy. Inc., 344 F.3d 446, 453 (5th Cir. 2003) (citing 4 Nimmer § 13.07 (2002).) Here, Plaintiffs have raised genuine issue of fact as to this defense, precluding summary judgment on this ground.

Defendants allege that Plaintiffs licensor Warner/Chappell had actual knowledge and consented to Defendants use of the copyrighted works before they entered into any distribution agreement which caused the alleged infringement. (Dec. of Laurel Legler ¶ 19.) FNP Defendants assert that they learned of Plaintiffs' intention to refuse them a copyright license after the distribution agreements were signed. *Id.* FNP Defendants further allege that they relied upon that consent when they signed the distribution agreement. *Id.* Finally, FNP Defendants allege that they detrimentally relied on prior statements made by the Plaintiffs. (See Declaration of Laurel Legler at ¶ 20.) FNP Defendants submit evidence of an outstanding claim from the distribution company for over $115,000 dollars due to the Defendants' failure to delivery the movie without secured consent to use the copyrighted works. (Dec of Cox, Exh. 708.)

While FNP Defendants have raised all the elements to an estoppel claim, Plaintiffs contradict Defendants' assertions. Plaintiffs dispute that any such consensual statements were made. To the contrary, Plaintiffs present evidence that they did not

give such assurances to Defendants. (Dec. Of Novak, Exh. C, Deposition of Brad Rosenberger, 56:1-9.) Thus, a material issue of fact exists. Defendants' motion for summary judgment on the defense of estoppel is DENIED.

1.1.6 Fair Use Defense

Dean Defendants admit that their DVD set entitled, "The Art of Funding Your Film" contains actual footage of the trailer for the documentary. (Dean Defendants' MSJ 1:23-28.) However, Defendants argue that their use of the copyrighted material is authorized as a fair use under 17 U.S.C. section 107. (MSJ 6:4-10:9.) The Court agrees.

A person's fair use of a copyrighted work, such as for teaching, do not infringe on another persons copyright. 17 U.S.C. § 107. In determining if a person's use is fair, a court shall consider:

> (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
>
> (2) the nature of the copyrighted work;
>
> (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
>
> (4) the effect of the use upon the potential market for or value of the copyrighted work.

Id.

1.1.6.1 The Use Is Of A Commercial Nature

Defendants allege that the first factor weighs in their favor since the character of the use is "transformative," and the use is "nonprofit and educational." (Dean Defendants' MSJ at p. 7.) However, Defendants also admit that they sold 26 DVDs for a profit of $66 dollars per set. (Deposition of Dean at 37:18-25.) Concerning the first statutory factor, "we observe initially that the fact that copying is for a commercial purpose weighs against a finding of fair use." *Sega Enters., Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1523 (9th Cir. 1992). However, the Court agrees with Defendants that the trailer of the documentary was used for teaching purposes. Defendants included the trailer to aid students in understanding the "techniques for obtaining financing for their films." (Dec. of Dean ¶5.) On these facts, the Court concludes that Defendants used Plaintiffs' copyrighted compositions for "a legitimate, essentially non-exploitative purpose, and that the commercial aspect of its use can best be described as of minimal significance." *Sega Enters.*, 977 F.2d at 1523. This factor weighs in favor of Defendants.

1.1.6.2 The Nature Of The Copyrighted Work

Defendants correctly concede that because Plaintiffs' works represent creative expression, the second factor would usually weigh against a finding of

fair use. (Dean Defendants' MSJ at p.7.) The copyrighted work are "musical compositions originated from Plaintiff Wayne Kramer's creativity and imagination in writing the songs." Therefore, the second factor weighs against a finding of fair use.

1.1.6.3 The Amount And Substantiality Of The Portion Used

Defendants allege the third factor weighs in their favor since they used sliced portions of the compositions and "the impact of the use was significantly limited because it consisted of the sonically diminished representation of a videotape of a picture of a television screen with a sound accompaniment consisting of a video camera's recording of a small television speaker playing the trailer's sound." (Dean Defendants' MSJ at p. 9.) Plaintiffs argue that while this may be true, Defendants have taken "the heart of copyrighted compositions." (Plaintiffs' Opp. at p. 7.) The Court agrees.

As in *Harper & Row, Publishers. Inc. v. Nation Enterprises,* 471 U.S. 539, 566 (1985), the amount of infringement here is relatively insubstantial. Defendants reproduced less than five minutes of the musical compositions. (Dean Defendants' MSJ at p. 8.) However, Plaintiffs point out that although Defendants only used 10 seconds of "Kick Out the Jams," this was MC5's "best selling" and "most recognizable composition." (Opp. At 7.) The Court finds that the musical compositions included were chosen for

this very reason. Therefore, the third factor weighs against a finding of fair use.

1.1.6.4 The Effect Of The Use

The fourth fair use factor is the effect of the use upon the potential market for or value of the copyrighted work. This factor is "undoubtedly the single most important element of fair use." *Harper & Row Publishers*, 471 U.S. at 566 (1985). Defendants allege the fourth factor weighs in their favor since "[n]obody who wanted to listen to the compositions would choose to do so by paying $65 for a 12-hour 3-DVD set in which sonically limited portions of the compositions are anonymously nested in less than 1 % of the work." (Dean Defendants' Reply at p. 3-4.) The Court agrees.

Unrestricted and wide-spread collection of these DVD's would not result in a substantially adverse impact on the potential market for the original composition. *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 821 (9th Cir. 2003). Further, Defendants' use of Plaintiffs' compositions in its program does not harm the market for Plaintiffs' compositions or the value of his compositions. *Id.* For this reason, this factor weighs for a finding of fair use.

1.1.6.5 Summary of section 107 Factors

In applying the factors set out in section 107, courts must tailor the fair use analysis to the individual facts presented in each case. *Harper*, 471

U.S. at 552. The material facts in this case are not in dispute. The first factor weighs heavily in favor of Defendants. Defendants used the copyrighted musical compositions for a purpose specifically endorsed in section 107. The fourth factor also weighs heavily in favor of Defendants. No evidence suggests that a market for the musical compositions has been harmed or will be harmed in the future. As discussed, this is the most important consideration under the section 107 analysis. The second and third factors weigh in favor of Plaintiffs. However, the fact that the compositions are creative works and the fact that Defendants used key portions of the compositions are not sufficient to counterbalance the significance of the first and fourth factors as applied to these facts. As a result, Dean Defendants' motion for summary judgment on the defense of fair use is GRANTED.[1]

2. PLAINTIFFS' SECOND CLAIM FOR COPYRIGHT INFRINGEMENT UNDER 17 U.S.C. SECTIONS 101, ET SEQ.

FNP Defendants argue that Plaintiffs have not established a claim for contributory Infringement. (FNP Defendants' MSJ at p. 7-8.) "Traditionally, one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a

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[1]Because Dean Defendants are entitled to summary judgment under the fair use doctrine, the Court need not address Plaintiffs' arguments that these defendants infringed the copyrighted materials under state copyright statutes. Therefore, the Court addresses the rest of the discussion to the remaining defendants.

'contributory' infringer." *A&M Records v. Napster, Inc.*, 239 F.3d 1004,1022 (9th Cir. 2001). Contributory infringement occurs if the defendant 1) knew of the Infringement by a third party and 2) engaged in personal conduct that encouraged or assisted the infringement. *Id.*

FNP Defendants argue that they did not have knowledge or materially contribute to the infringement of others after March 1, 2004. Defendants provide testimony that they attempted to stop the distribution by setting up client alerts on key pirating internet cites in efforts to stop the distribution. (Dep. of Thomas 202:16-203:10.) In response, Plaintiffs produce the February 15, 2004 distribution agreement between Avatar Films, Ltd. and Defendant Zenta which permits Avatar Films to distribute the documentary which contained the copyrighted material. (Dec. Of Novak, Exh. J.) Plaintiffs also produce distribution agreement between December 11, 2003 Sony/BMG and Defendant Zenta, which permits the distribution of DVD copies of the documentary which contained the copyrighted material. (Dec of Novak, Exh T.) Because this evidence raise triable issues of fact, the Court does not find that judgment as a mater of law is appropriate. Thus, Defendants' motion for summary judgement on the claim of contributory infringement is DENIED, and Plaintiffs' motion for summary judgment on the claim of contributory infringement is DENIED.

3. PLAINTIFFS' THIRD CLAIM FOR COPYRIGHT INFRINGEMENT UNDER 17 U.S.C. SECTIONS 101, ET SEQ.

FNP Defendants also argue that Plaintiffs are not entitled to judgment as a matter of law on their vicarious infringement claim. (FNP Defendants' MSJ at p. 8.) A defendant is liable for vicarious liability for the actions of a primary infringer where the defendant (1) has the right and ability to control the infringer's acts and (2) receives a direct financial benefit from the infringement. See *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 306 (2d Cir. 1963). Unlike contributory infringement, knowledge is not an element of vicarious liability. 3 Nimmer on Copyright § 12.04[A][1], at 12-70.

Responding to this claim, Plaintiffs present the same evidence addressed above. In response, Defendants assert that the FHP Defendants did not receive financial benefit from any infringing activity. (Defendants FHP's MSJ at p. 8.) Defendant Legler claims that she has received no money from this endeavor, and to the contrary her career has been ruined. Decl, ¶ 20. Because Plaintiffs have demonstrated a genuine issue of material fact, Plaintiffs' motion for summary judgment on the claim of vicarious infringement is DENIED, and Defendants' motion for summary judgment on the claim of vicarious infringement is DENIED.

4. PLAINTIFF'S FOURTH CLAIM FOR COPYRIGHT INFRINGEMENT IN VIOLATION OF CALIFORNIA CIVIL CODE SECTION 980(a)(2)

Plaintiffs argue that defendants violated Plaintiffs' copyrights in Plaintiffs' pre-1972 sound

recordings, protected under state law. (Plaintiffs' MSJ at p. 13.) Because FNP triable issues of fact remain regarding the applicability of the estoppel defense to this claim, as discussed above, Plaintiffs' motion for summary judgement on the claim of copyright infringement under California Civil Code Section 980(2) is DENIED. The FNP Defendants Motion for summary judgement on this claim is also DENIED. The Court notes that Dean Defendants' fair use defense as discussed above also applies to this California claim. Thus, Dean Defendants' motion for summary judgement on this ground is GRANTED.

5. PLAINTIFFS' BREACH OF CONTRACT CLAIM

Plaintiffs argue that they have established several breaches of oral contracts as a matter of law. (Plaintiffs' MSJ at p. 14-16.) In California, the elements of a contract are: "1) Parties capable of contracting; 2) Their consent; 3) A lawful object; and 4) Sufficient cause or consideration." Cal. Civ. Code § 1550. A claim of breach of contract is established when the Plaintiff can demonstrate the existence of a contract, Plaintiff's performance thereof, Defendant's breach, and damages resulting therefrom. *Acoustics, Inc. v. Trepte Construction Co.*, 14 Cal. App.3d 887, 913 (1971).

5.1 1996 Contract Between Plaintiff Wayne Kramer and Defendants

Plaintiff Wayne Kramer argues that FNP Defendants entered into multiple contracts with him.

Wayne Kramer alleges that two such contracts were formed in or about April 1996. (Plaintiffs' MSJ at p. 14.) Plaintiff argues that Defendants Legler, Thomas, and Future/Now Films first breached their contract with Plaintiff Wayne Kramer in or about April 2002. (Motion at p. 15.) Plaintiff claims that Defendant Zenta, LLC also breached its contract with this Plaintiff in 2002. (*Id.*) FNP Defendants dispute the contents of the contract. (Second Legler Dec. ¶ 5, Second Thomas Dec. ¶ 5.) Additionally, FNP Defendants argue that Plaintiffs claim is barred under the applicable statute of limitations for oral contracts, as Plaintiffs raise claims related to an alleged breach of contract in 2002, over three years before Plaintiffs filed their complaint. (FNP Defendants' Opp. at p. 4.) FNP Defendants also respond that the application of the statute of limitations is susceptible to a conflict of laws problem as it is not clear which statute may be applied. (FNP Defendants' MSJ at p. 17; Cox Decl. ¶ 8.) The Court finds that Defendants have raised disputed issues of triable fact. Plaintiffs' motion for summary judgment on breach of the 1996 Contract between Defendants and Wayne Kramer is DENIED.

5.2 1997 Contracts Between Defendants and Plaintiff Margaret Kramer and Defendants and Plaintiff Muscle Tone Records

Plaintiffs also argue that FNP Defendants entered into a contract with Plaintiff Margaret Kramer and a contract with Muscle Tone, Inc. on November 17, 1997. (Plaintiff MSJ at p. 14-15.) Plaintiffs argue that these contracts were breached in April 2002.

(Plaintiffs' MSJ at p. 15.) FNP Defendants dispute that either of these contracts occurred. (Defendants' SGIF ¶¶ 35-36.) However, even assuming *arguendo* that these contracts were formed, Defendants have raised a material issue of triable fact relating to the locus of the contract under the same analysis that was described above. For this reason, Plaintiffs' motion for summary judgment on breach of the 1997 Contract between Defendants and Margaret Kramer and Defendants and Muscle Tone Records is DENIED.

5.3 2003 Contracts Between Plaintiff Wayne Kramer and Defendants and Defendant Margaret Kramer and Defendants

Plaintiffs allege that other contracts were entered into in or about July 23, 2001 (Plaintiffs' MSJ at p. 15.) FNP Defendants concede that "on July 29, 2003, Kramer and Thomas agreed to the terms stated in Thomas' July 29, 2003 letter to Kramer." (Def. SGIF at p. 9.) Plaintiffs argue that this contract was breached in the year 2004. (Plaintiffs' MSJ at p. 15; Dec. Wayne Kramer ¶ 20.) FNP Defendants argue in response that this contract was breached on August 6, 2003 when Defendant Thomas received a letter from Plaintiff Margaret Kramer stating "unless you honor your original agreement, there will be no instruction on this subject to Warner/Chappell and there will be no signed release sent to you." (Second Thomas Decl. ¶ 15; Exh. 728, August 6, 2003 letter.) The Court finds that Defendants have raised material issues of triable fact regarding the breach of contract. Plaintiffs' motion for summary judgment on breach of the 2003 contracts is DENIED.

6. PLAINTIFFS' QUANTUM MERUIT CLAIM

Plaintiffs also claim restitution under quantum meruit. (Plaintiffs' MSJ at p. 16.) With quantum meruit, the law creates an implied promise "to pay for services performed under circumstances disclosing that they were not gratuitously rendered." *Huskinson & Brown v. Wolf*, 32 Cal. 4th 453, 458 (2004). To recover in quantum meruit, a party need not prove the existence of a contract, but must show the circumstances were such that "the services were rendered under some understanding or expectation of both parties that compensation therefor was to be made." *Id.* (internal citations omitted).

Supporting Plaintiffs' summary judgment claim for quantum meruit, Plaintiffs argue that an implied contract was created and "they expected and are entitled to compensation for all services and expenditures rendered on behalf of defendants relating to the film "MC5: A True Testimonial."" (Plaintiffs' MSJ at p. 16.) FNP Defendants argue that even if any such implied promise existed, it would be barred by the statute of limitations as the breach of that implied promise occurred more than two years before Plaintiffs filed the complaint. (Opp. MSJ at p. 5.)

Like Plaintiffs' breach of contract claims, Plaintiffs' quantum meruit claims is subject to a two-year statute of limitations because the alleged agreements was not memorialized in writing. Cal. Code of Civ. P. § 339(1). "[A] cause of action based upon a breach of contract accrues at the time of the breach." *E.O.C. Ord., Inc. v. Kovakovich*, 200 Cal. App.

3d 1194 (Cal. App. 1988). Similarly, a suit for breach of an implied contract, which is the essence of a quantum meruit claim, accrues at the time of the breach. *See Estate of Fincher,* 119 Cal. App. 3d 343 (Cal. App. 1981).

Here, the parties dispute when the breach occurred. As detailed above, the Plaintiffs believe that breach occurred in 2004. FNP Defendants maintain that any alleged breach occurred on August 6, 2003. The Court finds that Defendants raise a genuine issue of material fact. Plaintiffs' Motion for Summary Judgment on Quantum Meruit is DENIED.

7. PLAINTIFFS' FRAUD CLAIM

Plaintiffs argue that FNP Defendants "actively defrauded Plaintiffs Wayne Kramer and Margaret Kramer." (Plaintiffs MSJ at p. 17.) To establish a cause of action for fraud under California law, a plaintiff must allege "a false representation, knowledge of its falsity, intent to defraud, justifiable reliance, and damages." *Moore v. Brewster,* 96 F.3d 1240, 1245 (9th Cir. 1996) (quoting *Bank of the West v. Valley Nat'l Bank of Ariz.,* 41 F.3d 471, 477 (9th Cir.1994), quoting *Hackethal v. Nat'l Cas. Co.,* 189 Cal. App. 3d 1102, 234 Cal. Rptr. 853, 857 (Cal. Ct. App. 1987)). Defendants argue in defense that any such fraudulent activity would have "accrued no later than April 2002, more than four years before the commencement of suit." (Defendants' SGI at p. 17). Again, this argument precludes a grant of Summary Judgment.

The California Code of Civil Procedure provides

that in an action for relief on the ground of fraud or mistake the statute of limitations requires a party to bring a claim for fraud within three years of the fraudulent activity. However, "[t]he cause of action in that case is not to be deemed to have accrued until the discovery, by the aggrieved party, of the facts constituting the fraud or mistake." Cal. Civ. Code. § 338(d). As discussed above, Defendants have raised genuine issues of fact as to the alleged misrepresentations and reliance on those misrepresentations within the temporal scope of the statute of limitations. Thus, Plaintiffs' motion for summary judgment on fraud is DENIED.

8. DEFENDANT'S COUNTERCLAIM FOR BREACH OF CONTRACT

Plaintiffs next assert that Defendants' counterclaim for breach of contract is barred by "the applicable statute of limitations in California relating to oral contract." (Plaintiffs' MSJ at p. 18.) Plaintiffs argue that Defendants present no viable evidence of a breach of contract, as the only claims Defendants made relate to an alleged breach of contract on June 19, 2002, four years before Defendants filed this counterclaim. (*Id.* at p. 18.) Defendants do not rebut this. (Legler/Thomas Opp. MSJ at p. 5-6). The Court agrees with Plaintiff.

As California Code of Civil Procedure section 339(1) provides a two year statute of limitation for an "action upon a contract, obligation, or liability not founded upon an instrument of writing, Defendants do not allege a breach within the statute of limitations

required by statute. Therefore, plaintiffs have demonstrated an absence of evidence. Plaintiffs' motion for summary judgment on Defendants' breach of contract counterclaim is GRANTED.

9. INJUNCTIVE RELIEF

As the Court does not grant summary judgment for the Plaintiffs' copyright claims, the Court declines to grant Plaintiffs' request for injunctive relief.

10. DEFENDANTS' MOTION FOR ORDER DETERMINING ISSUES WITHOUT SUBSTANTIAL CONTROVERSY (FEDERAL RULE OF CIVIL PROCEDURE 56(d))

"The purpose of Rule 56(d) is to salvage some results from the judicial effort involved in evaluating a summary judgment motion and to frame narrow triable issues if the court finds that the order would be helpful with the progress of litigation." *Cactus Comer, LLC v. United States Dep't of Agric.*, 346 F. Supp. 2d 1075, 1093 (E.D. Cal. 2004). An order under Rule 56(d) narrows the issues and enables the parties to more fully recognize their rights, while permitting the court to retain full power to adjudicate all aspects of the case at the proper time. *See* 10 A C. Wright & A. Miller, Federal practice and Procedure § 2737, at 455-56 (2d ed. 1983).

The Court finds the following facts are without substantial controversy:

1. Plaintiffs' claims are founded upon general

federal question and copyright jurisdiction, 28 U.S.C. §§ 1331 and 1338(a).

2. The sole federal counts (other than injunctive relief) pleaded against defendants are Counts One though Three of the FAC. Counts One through Three allege, respectively direct, contributory, and vicarious copyright infringement stemming from the production and distribution of the theatrical release of the documentary film "MC5: A TRUE TESTIMONIAL," the DVD version of the documentary, and a three DVD set distributed by From the Heart Productions, Inc. entitled "THE ART OF FUNDING YOUR FILM." The three DVD set incorporated slightly more than an hour of a presentation by David Thomas and Laurel Legler and included a picture of a television playing a six-minute trailer for the documentary containing some of the songs at issue.

3. By their terms, the assignments grant Kramer the right, commencing as of infringements on or after March 1, 2004, to sue Defendants for copyright infringement.

4. Plaintiff Kramer's copyright claims allege infringement of fifteen compositions ("the fifteen compositions"), all of which were either registered or published before 1972, and therefore subject to the provisions of the Copyright Act of 1909. All of the compositions that are the subject of the copyright claims are

now in their renewal term.

5. The renewal copyright interests of co-authors Robert Derminer and Fred "Sonic" Smith in fourteen of the fifteen compositions are co-owned by their widows and heirs pursuant to section 24 of the Copyright Act of 1909, former 17 U .S.C. section 24, in that Derminer and Smith died prior to the commencement of the renewal term.

IT IS SO ORDERED.

DATED: September 28, 2006

/s/
Andrew J. Guilford
United States District Judge

TITLE 17. COPYRIGHTS
CHAPTER 3. DURATION OF COPYRIGHT

17 U.S.C. § 304(a)(2)(B)(ii).

§ 304. Duration of copyright: Subsisting copyrights

(a) Copyrights in their first term on January 1, 1978.

(1) (A) Any copyright, the first term of which is subsisting on January 1, 1978, shall endure for 28 years from the date it was originally secured.

(B) In the case of--

(i) any posthumous work or of any periodical, cyclopedic, or other composite work upon which the copyright was originally secured by the proprietor thereof, or

(ii) any work copyrighted by a corporate body (otherwise than as assignee or licensee of the individual author) or by an employer for whom such work is made for hire, the proprietor of such copyright shall be entitled to a renewal and extension of the copyright in such work for the further term of 67 years.

(C) In the case of any other copyrighted work, including a contribution by an individual author to a periodical or to a cyclopedic or other composite work--

(i) the author of such work, if the author is still living,

(ii) the widow, widower, or children of the author, if the author is not living,

(iii) the author's executors, if such author, widow, widower, or children are not living, or

(iv) the author's next of kin, in the absence of a will of the author, shall be entitled to a renewal and extension of the copyright in such work for a further term of 67 years.

(2) (A) At the expiration of the original term of copyright

under paragraph (1)(C), as of the last day of the original term of copyright, to the renewal and extension of the copyright.

[...]

in a work specified in paragraph (1)(B) of this subsection, the copyright shall endure for a renewed and extended further term of 67 years, which--

(i) if an application to register a claim to such further term has been made to the Copyright Office within 1 year before the expiration of the original term of copyright, and the claim is registered, shall vest, upon the beginning of such further term, in the proprietor of the copyright who is entitled to claim the renewal of copyright at the time the application is made; or

(ii) if no such application is made or the claim pursuant to such application is not registered, shall vest, upon the beginning of such further term, in the person or entity that was the proprietor of the copyright as of the last day of the original term of copyright.

(B) At the expiration of the original term of copyright in a work specified in paragraph (1)(C) of this subsection, the copyright shall

endure for a renewed and extended further term of 67 years, which–

(i) if an application to register a claim to such further term has been made to the Copyright Office within 1 year before the expiration of the original term of copyright, and the claim is registered, shall vest, upon the beginning of such further term, in any person who is entitled under paragraph (1)(C) to the renewal and extension of the copyright at the time the application is made; or

(ii) if no such application is made or the claim pursuant to such application is not registered, shall vest, upon the beginning of such further term, in any person entitled

(c) Termination of transfers and licenses covering extended renewal term. In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, other than a copyright in a work made for hire, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated by subsection (a)(1)(C) of this section, otherwise than by will, is subject to termination under the following conditions:

(1) In the case of a grant executed by a person or persons other than the author, termination of the grant may be effected by the surviving person or persons who executed it. In the case of a grant executed by one or more of the authors of the work, termination of the grant may be effected, to the extent of a particular author's share in the ownership of the renewal copyright, by the author

who executed it or, if such author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest.

(2) Where an author is dead, his or her termination interest is owned, and may be exercised, as follows:

(A) The widow or widower owns the author's entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow or widower owns one-half of the author's interest.

(B) The author's surviving children, and the surviving children of any dead child of the author, own the author's entire termination interest unless there is a widow or widower, in which case the ownership of one-half of the author's interest is divided among them.

(C) The rights of the author's children and grandchildren are in all cases divided among them and exercised on a per stirpes basis according to the number of such author's children represented; the share of the children of a dead child in a termination interest can be exercised only by the action of a majority of them.

(D) In the event that the author's widow or widower, children, and grandchildren are not living, the author's executor, administrator, personal representative, or trustee shall own the author's entire termination interest.

(3) Termination of the grant may be effected at any time during a period of five years beginning at the end of fifty-six years from the date copyright

was originally secured, or beginning on January 1, 1978, whichever is later.

(4) The termination shall be effected by serving an advance notice in writing upon the grantee or the grantee's successor in title. In the case of a grant executed by a person or persons other than the author, the notice shall be signed by all of those entitled to terminate the grant under clause (1) of this subsection, or by their duly authorized agents. In the case of a grant executed by one or more of the authors of the work, the notice as to any one author's share shall be signed by that author or his or her duly authorized agent or, if that author is dead, by the number and proportion of the owners of his or her termination interest required under clauses (1) and (2) of this subsection, or by their duly authorized agents.

(A) The notice shall state the effective date of the termination, which shall fall within the five-year period specified by clause (3) of this subsection, or, in the case of a termination under subsection (d), within the five-year period specified by subsection (d)(2), and the notice shall be served not less than two or more than ten years before that date. A copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect.

(B) The notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation.

(5) Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make

any future grant.

(6) In the case of a grant executed by a person or persons other than the author, all rights under this title that were covered by the terminated grant revert, upon the effective date of termination, to all of those entitled to terminate the grant under clause (1) of this subsection. In the case of a grant executed by one or more of the authors of the work, all of a particular author's rights under this title that were covered by the terminated grant revert, upon the effective date of termination, to that author or, if that author is dead, to the persons owning his or her termination interest under clause (2) of this subsection, including those owners who did not join in signing the notice of termination under clause (4) of this subsection. In all cases the reversion of rights is subject to the following limitations:

(A) A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.

(B) The future rights that will revert upon termination of the grant become vested on the date the notice of termination has been served as provided by clause (4) of this subsection.

(C) Where the author's rights revert to two or more persons under clause (2) of this subsection, they shall vest in those persons in the proportionate shares provided by that clause. In such a case, and subject to the provisions of

subclause (D) of this clause, a further grant, or agreement to make a further grant, of a particular author's share with respect to any right covered by a terminated grant is valid only if it is signed by the same number and proportion of the owners, in whom the right has vested under this clause, as are required to terminate the grant under clause (2) of this subsection. Such further grant or agreement is effective with respect to all of the persons in whom the right it covers has vested under this subclause, including those who did not join in signing it. If any person dies after rights under a terminated grant have vested in him or her, that person's legal representatives, legatees, or heirs at law represent him or her for purposes of this subclause.

(D) A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination. As an exception, however, an agreement for such a further grant may be made between the author or any of the persons provided by the first sentence of clause (6) of this subsection, or between the persons provided by subclause (C) of this clause, and the original grantee or such grantee's successor in title, after the notice of termination has been served as provided by clause (4) of this subsection.

(E) Termination of a grant under this subsection affects only those rights covered by the grant that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.

(F) Unless and until termination is effected under this subsection, the grant, if it does not

provide otherwise, continues in effect for the remainder of the extended renewal term.

(d) Termination rights provided in subsection (c) which have expired on or before the effective date of the Sonny Bono Copyright Term Extension Act. In the case of any copyright other than a work made for hire, subsisting in its renewal term on the effective date of the Sonny Bono Copyright Term Extension Act [effective October 27, 1998] for which the termination right provided in subsection (c) has expired by such date, where the author or owner of the termination right has not previously exercised such termination right, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated in subsection (a)(1)(C) of this section, other than by will, is subject to termination under the following conditions:

(1) The conditions specified in subsections (c)(1), (2), (4), (5), and (6) of this section apply to terminations of the last 20 years of copyright term as provided by the amendments made by the Sonny Bono Copyright Term Extension Act.

(2) Termination of the grant may be effected at any time during a period of 5 years beginning at the end of 75 years from the date copyright was originally secured.

TITLE 17. COPYRIGHTS
CHAPTER 5. COPYRIGHT INFRINGEMENT AND REMEDIES

17 U.S.C. § 505.

§ 505. Remedies for infringement: Costs and attorney's fees

In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.